

ANNUAL STATEMENT

OF THE

Victory Health Plan, Inc.

of

Brentwood

in the state of

Tennessee

TO THE

Insurance Department

OF THE STATE OF

Tennessee

FOR THE YEAR ENDED
DECEMBER 31, 2002

ANNUAL STATEMENT

For the Year Ending December 31, 2002

OF THE CONDITION AND AFFAIRS OF THE

Victory Health Plan, Inc.

NAIC Group Code

1268

(Current Period)

1268

(Prior Period)

NAIC Company Code

95792

Employer's ID Number

62-1531881

Organized under the Laws of

Tennessee

State of Domicile or Port of Entry

Tennessee

Country of Domicile

United States of America

Licensed as business type:

Life, Accident & Health[]

Property/Casualty[]

Hospital, Medical & Dental Service or Indemnity[]

Dental Service Corporation[]

Vision Service Corporation[]

Health Maintenance Organization[X]

Other[]

Is HMO Federally Qualified? Yes[] No[X]

Date Incorporated or Organized

05/14/1993

Date Commenced Business

01/01/1994

Statutory Home Office

215 Centerview Drive, Suite 300

(Street and Number)

Brentwood, TN 37027

(City, or Town, State and Zip Code)

Main Administrative Office

215 Centerview Drive, Suite 300

(Street and Number)

Brentwood, TN 37027

(City or Town, State and Zip Code)

(615)782-7800

(Area Code) (Telephone Number)

Mail Address

215 Centerview Drive, Suite 300

(Street and Number or P.O. Box)

Brentwood, TN 37027

(City, or Town, State and Zip Code)

Primary Location of Books and Records

215 Centerview Drive, Suite 300

(Street and Number)

Brentwood, TN 37027

(City, or Town, State and Zip Code)

(615)782-7914

(Area Code) (Telephone Number)

Internet Website Address

Statement Contact

Jennifer Giannotti

(Name)

(615)782-7914

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(E-Mail Address)

(615)782-7826

(Fax Number)

Policyowner Relations Contact

(Street and Number)

(City, or Town, State and Zip Code)

(Area Code) (Telephone Number)(Extension)

OFFICERS

President Michael Bailey

Secretary Willis Jones

Treasurer

VICE PRESIDENTS

DIRECTORS OR TRUSTEES

Philip Hertik

Michael Bailey

Willis Jones

State of Tennessee

County of Williamson ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manuals except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

(Signature)

Michael Bailey

(Printed Name)

President

(Signature)

Willis Jones

(Printed Name)

Secretary

(Signature)

(Printed Name)

Treasurer

a. Is this an original filing?

b. If no,

1. State the amendment number

2. Date filed

3. Number of pages attached

Yes[] No[X]

1

Subscribed and sworn to before me this

day of

, 2003

(Notary Public Signature)

ASSETS

		Current Year			Prior Year
		1	2	3	4
		Assets	Nonadmitted Assets	Net Admitted Assets	Net Admitted Assets
1.	Bonds	1,234,409		1,234,409	1,012,004
2.	Stocks:				
2.1	Preferred stocks				
2.2	Common stocks				
3.	Mortgage loans on real estate:				
3.1	First liens				
3.2	Other than first liens				
4.	Real estate (Schedule A):				
4.1	Properties occupied by the company (less \$..... encumbrances)			(a).....	
4.2	Properties held for the production of income (less \$..... encumbrances)				
4.3	Properties held for sale (less \$..... encumbrances)				
5.	Cash (\$.....4,768,673, Schedule E - Part 1) and short-term investments (\$....., Schedule DA - Part 2)	4,768,673		4,768,673	9,945,984
6.	Other long-term invested assets				
7.	Receivable for securities				
8.	Aggregate write-ins for invested assets				
9.	Subtotal, cash and invested assets (Lines 1 to 8)	6,003,082		6,003,082	10,957,988
10.	Accident and health premiums due and unpaid				273,550
11.	Health care receivables				
12.	Amounts recoverable from reinsurers				
13.	Net adjustment in assets and liabilities due to foreign exchange rates				
14.	Investment income due and accrued	13,625		13,625	13,686
15.	Amounts due from parent, subsidiaries and affiliates	253,356		253,356	
16.	Amounts receivable relating to uninsured accident and health plans	155,870		155,870	
17.	Furniture and equipment				
18.	Amounts due from agents				
19.	Federal and foreign income tax recoverable and interest thereon (including \$..... net deferred tax asset)				86,690
20.	Electronic data processing equipment and software				
21.	Other nonadmitted assets				
22.	Aggregate write-ins for other than invested assets	175,349		175,349	
23.	Total assets (Lines 9 plus 10 through 22)	6,601,282		6,601,282	11,331,914
DETAILS OF WRITE-INS					
0801	.....			
0802	.....			
0803	.....			
0898.	Summary of remaining write-ins for Line 8 from overflow page				
0899.	TOTALS (Lines 0801 through 0803 plus 0898) (Line 8 above)				
2201.	Accounts Receivable - Pharmacy Rebate	175,349		175,349	
2202	.....			
2203	.....			
2298.	Summary of remaining write-ins for Line 22 from overflow page				
2299.	TOTALS (Lines 2201 through 2203 plus 2298) (Line 22 above)	175,349		175,349	

(a) \$..... health care delivery assets included in Line 4.1, Column 3.

LIABILITIES, CAPITAL AND SURPLUS

		Current Year			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$..... reinsurance ceded)	656,510		656,510	4,013,912
2.	Accrued medical incentive pool and bonus payments	227,689		227,689	235,611
3.	Unpaid claims adjustment expenses				
4.	Aggregate policy reserves				
5.	Aggregate claim reserves				
6.	Premiums received in advance				
7.	General expenses due or accrued	84,150		84,150	441,272
8.	Federal and foreign income tax payable and interest thereon (including \$..... on realized capital gains (losses)) (including \$..... net deferred tax liability)				163,509
9.	Amounts withheld or retained for account of others				
10.	Borrowed money (including \$..... current) and interest thereon \$..... (including \$..... current)				
11.	Amounts due to parent, subsidiaries and affiliates	160,300		160,300	82,024
12.	Payable to securities				
13.	Funds held under reinsurance treaties with (\$..... authorized reinsurers and \$..... unauthorized reinsurers				
14.	Reinsurance in unauthorized companies				
15.	Net adjustments in assets and liabilities due to foreign exchange rates				
16.	Liability for amounts held under uninsured accident and health plans				
17.	Aggregate write-ins for other liabilities (including \$..... current)				
18.	Total liabilities (Lines 1 to 17)	1,128,649		1,128,649	4,936,328
19.	Common capital stock	X X X	X X X	100,000	100,000
20.	Preferred capital stock	X X X	X X X		
21.	Gross paid in and contributed surplus	X X X	X X X	85,190,279	85,190,279
22.	Surplus notes	X X X	X X X	4,231,300	4,231,300
23.	Aggregate write-ins for other than special surplus funds	X X X	X X X	(6,955,991)	(6,955,991)
24.	Unassigned funds (surplus)	X X X	X X X	(77,092,955)	(76,170,002)
25.	Less treasury stock, at cost:	X X X	X X X		
25.1	..... shares common (value included in Line 19 \$.....)	X X X	X X X		
25.2	..... shares preferred (value included in Line 20 \$.....)	X X X	X X X		
26.	Total capital and surplus (Lines 19 to 25)	X X X	X X X	5,472,633	6,395,586
27.	Total liabilities, capital and surplus (Lines 18 and 26)	X X X	X X X	6,601,282	11,331,914
DETAILS OF WRITE-INS					
1701	.....			
1702	.....			
1703	.....			
1798.	Summary of remaining write-ins for Line 17 from overflow page				
1799.	TOTALS (Lines 1701 through 1703 plus 1798) (Line 17 above)				
2301.	Dividend to Vanderbilt University	X X X	X X X	(6,955,991)	(6,955,991)
2302	.....	X X X	X X X		
2303	.....	X X X	X X X		
2398.	Summary of remaining write-ins for Line 23 from overflow page	X X X	X X X		
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	X X X	X X X	(6,955,991)	(6,955,991)

STATEMENT OF REVENUE AND EXPENSES

		Current Year		Prior Year
		1 Uncovered	2 Total	3 Total
1.	Member Months	X X X	389,254	296,119
2.	Net premium income	X X X	32,340,696	45,412,968
3.	Change in unearned premium reserves and reserve for rate credits	X X X		
4.	Fee-for-service (net of \$..... medical expenses)	X X X		
5.	Risk revenue	X X X		
6.	Aggregate Write-Ins for Other health care related revenues	X X X		
7.	Total revenues (Lines 2 to 6)	X X X	32,340,696	45,412,968
Medical and Hospital:				
8.	Hospital/medical benefits		27,988,289	39,000,736
9.	Other Professional Services			
10.	Outside Referrals			
11.	Emergency room and out-of-area			
12.	Prescription drugs			
13.	Aggregate write-ins for other medical and hospital			
14.	Incentive pool and withhold adjustments		227,689	
15.	Subtotal (Lines 8 to 14)		28,215,978	39,000,736
LESS:				
16.	Net reinsurance recoveries			(14,112)
17.	Total medical and hospital (Lines 15 minus 16)		28,215,978	39,014,848
18.	Claims adjustment expenses			
19.	General administrative expenses		5,142,092	6,224,843
20.	Increase in reserves for accident and health contracts			
21.	Total underwriting deductions (Lines 17 through 20)		33,358,070	45,239,691
22.	Net underwriting gain or (loss) (Lines 7 minus 21)	X X X	(1,017,374)	173,277
23.	Net investment income earned		17,601	260,739
24.	Net realized capital gains or (losses)			
25.	Net investment gains or (losses) (Lines 23 plus 24)		17,601	260,739
26.	Net gain or (Loss) from agents' or premium balances charged off [(amount recovered \$.....) (amount charged off \$.....)]			
27.	Aggregate write-ins for other income or expenses			
28.	Net income or (loss) before federal income taxes (Lines 22 plus 25 plus 26 plus 27)		(999,773)	434,016
29.	Federal and foreign income taxes incurred	X X X	(76,819)	163,509
30.	Net income (loss) (Lines 28 minus 29)	X X X	(922,954)	270,507
DETAILS OF WRITE-INS				
0601	.....	X X X		
0602	.....	X X X		
0603	.....	X X X		
0698.	Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X		
1301	.....		
1302	.....		
1303	.....		
1398.	Summary of remaining write-ins for Line 13 from overflow page			
1399.	TOTALS (Lines 1301 through 1303 plus 1398) (Line 13 above)			
2701	.....		
2702	.....		
2703	.....		
2798.	Summary of remaining write-ins for Line 27 from overflow page			
2799.	TOTALS (Lines 2701 through 2703 plus 2798) (Line 27 above)			

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2
		Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT			
31.	Capital and surplus prior reporting year	6,395,586	5,889,664
GAINS AND LOSSES TO CAPITAL & SURPLUS			
32.	Net income or (loss) from Line 30	(922,954)	270,507
33.	Change in valuation basis of aggregate policy and claim reserves		
34.	Net unrealized capital gains and losses		
35.	Change in net unrealized foreign exchange capital gain or (loss)		
36.	Change in net deferred income tax		13,380
37.	Change in nonadmitted assets		148,725
38.	Change in unauthorized reinsurance		
39.	Change in treasury stock		
40.	Change in surplus notes		
41.	Cumulative effect of changes in accounting principles		73,310
42.	Capital Changes:		
42.1	Paid in		
42.2	Transferred from surplus (Stock Dividend)		
42.3	Transferred to surplus		
43.	Surplus adjustments:		
43.1	Paid in		
43.2	Transferred to capital (Stock Dividend)		
43.3	Transferred from capital		
44.	Dividends to stockholders		
45.	Aggregate write-ins for gains or (losses) in surplus		
46.	Net change in capital and surplus (Lines 32 to 45)	(922,954)	505,922
47.	Capital and surplus end of reporting year (Line 31 plus 46)	5,472,632	6,395,586
DETAILS OF WRITE-INS			
4501.	Dividend to Vanderbilt University		
4502	.....	
4503	.....	
4598.	Summary of remaining write-ins for Line 45 from overflow page		
4599.	TOTALS (Lines 4501 through 4503 plus 4598) (Line 45 above)		

CASH FLOW

		1	2
		Current Year	Prior Year
Cash from Operations			
1.	Premiums and revenues collected net of reinsurance	32,614,246	45,312,758
2.	Claims and claims adjustment expenses	31,628,475	35,987,864
3.	General administrative expenses paid	5,706,856	5,676,854
4.	Other underwriting income (expenses)	285,920	
5.	Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4)	(4,435,165)	3,648,040
6.	Net investment income	30,310	265,153
7.	Other income (expenses)	(284,047)	
8.	Federal and foreign income taxes (paid) recovered	(253,356)	
9.	Net cash from operations (Line 5 to 8)	(4,942,258)	3,913,193
Cash from Investments			
10.	Proceeds from investments sold, matured or repaid:		
10.1	Bonds	570,000	
10.2	Stocks		
10.3	Mortgage loans		
10.4	Real estate		
10.5	Other invested assets		
10.6	Net gains or (losses) on cash and short-term investments		
10.7	Miscellaneous proceeds		
10.8	Total investment proceeds (Lines 10.1 to 10.7)	570,000	
11.	Cost of investments acquired (long-term only):		
11.1	Bonds	805,053	
11.2	Stocks		
11.3	Mortgage loans		
11.4	Real estate		
11.5	Other invested assets		
11.6	Miscellaneous applications		
11.7	Total investments acquired (Lines 11.1 to 11.6)	805,053	
12.	Net cash from investments (Line 10.8 minus Line 11.7)	(235,053)	
Cash from Financing and Miscellaneous Sources			
13.	Cash provided:		
13.1	Surplus notes, capital and surplus paid in		
13.2	Net transfers from affiliates		
13.3	Borrowed funds received		
13.4	Other cash provided		5,456,333
13.5	Total (Lines 13.1 to 13.4)		5,456,333
14.	Cash applied:		
14.1	Dividends to stockholder paid		
14.2	Net transfers to affiliates		4,956,333
14.3	Borrowed funds repaid		
14.4	Other applications		
14.5	Total (Lines 14.1 to 14.4)		4,956,333
15.	Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5)		500,000
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS			
16.	Net change in cash and short-term investments (Line 9 plus Line 12 plus Line 15)	(5,177,311)	4,413,193
17.	Cash and short-term investments:		
17.1	Beginning of year	9,945,984	5,532,791
17.2	End of year (Line 16 plus Line 17.1)	4,768,673	9,945,984

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

(Gain and Loss Exhibit)

		1	2	3	4	5	6	7	8	9	10	11	12	13
		Total	Comprehensive (Hospital & Medical)	Medical Only	Medicare Supplement	Dental Only	Vision Only	Federal Employee Health Benefit Plan	Title XVIII- Medicare	Title XIX- Medicaid	Stop Loss	Disability Income	Long- term Care	Other
1.	Net premium income	32,340,696								32,340,696				
2.	Change in unearned premium reserves and reserve for rate credit													
3.	Fee-for-service (net of \$..... medical expenses)													
4.	Risk revenue													
5.	Aggregate write-ins for other health care related revenues													
6.	Total revenues (Lines 1 to 5)	32,340,696								32,340,696				
7.	Medical/hospital benefits	27,988,289								27,988,289				
8.	Other professional services													
9.	Outside referrals													
10.	Emergency room and out-of-area													
11.	Prescription drugs													
12.	Aggregate write-ins for other medical and hospital													
13.	Incentive pool and withhold adjustments	227,689								227,689				
14.	Subtotal (Lines 7 to 13)	28,215,978								28,215,978				
15.	Net reinsurance recoveries													
16.	Total medical and hospital (Lines 14 minus 15)	28,215,978								28,215,978				
17.	Claims adjustment expenses													
18.	General administrative expenses	5,142,092								5,142,092				
19.	Increase in reserves for accident and health contracts													
20.	Total underwriting deductions (Lines 16 to 19)	33,358,070								33,358,070				
21.	Net underwriting gain or (loss) (Line 6 minus Line 20)	(1,017,374)								(1,017,374)				
DETAILS OF WRITE-INS														
0501.	.....												
0502.	.....												
0503.	.....												
0598.	Summary of remaining write-ins for Line 5 from overflow page													
0599.	TOTAL (Lines 0501 through 0503 plus 0598) (Line 5 above)													
1201	.....												
1202	.....												
1203	.....												
1298.	Summary of remaining write-ins for Line 12 from overflow page													
1299.	TOTAL (Lines 1201 through 1203 plus 1298) (Line 12 above)													

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

		1	2	3	4
Line of Business		Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Columns 1 + 2 - 3)
1.	Comprehensive (medical and hospital) .....	.....	.....	.....	.....
2.	Medicare Supplement .....	.....	.....	.....	.....
3.	Dental only .....	.....	.....	.....	.....
4.	Vision only .....	.....	.....	.....	.....
5.	Federal Employees Health Benefits Plan Premiums .....	.....	.....	.....	.....
6.	Title XVIII - Medicare .....	.....	.....	.....	.....
7.	Title XIX - Medicaid	32,340,696	.....	.....	32,340,696
8.	Other .....	.....	.....	.....	.....
9.	TOTALS	32,340,696	32,340,696

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 - Claims Incurred During the Year

		1	2	3	4	5	6	7	8	9
		Total	Compre- hensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1.	Payments during the year:									
	1.1 Direct	31,345,691							31,345,691	
	1.2 Reinsurance assumed									
	1.3 Reinsurance ceded									
	1.4 Net	31,345,691							31,345,691	
2.	Paid medical incentive pools and bonuses	238,194							238,194	
3.	Claim liability December 31, current year from Part 2A:									
	3.1 Direct	656,510							656,510	
	3.2 Reinsurance assumed									
	3.3 Reinsurance ceded									
	3.4 Net	656,510							656,510	
4.	Claim reserve December 31, current year from Part 2D:									
	4.1 Direct									
	4.2 Reinsurance assumed									
	4.3 Reinsurance ceded									
	4.4 Net									
5.	Accrued medical incentive pools and bonuses, current year	227,689							227,689	
6.	Amounts recoverable from reinsurers December 31, current year									
7.	Claim liability December 31, prior year from Part 2A:									
	7.1 Direct	4,013,912							4,013,912	
	7.2 Reinsurance assumed									
	7.3 Reinsurance ceded									
	7.4 Net	4,013,912							4,013,912	
8.	Claim reserve December 31, prior year from Part 2D:									
	8.1 Direct									
	8.2 Reinsurance assumed									
	8.3 Reinsurance ceded									
	8.4 Net									
9.	Accrued medical incentive pools and bonuses, prior year	235,611							235,611	
10.	Amounts recoverable from reinsurers December 31, prior year									
11.	Incurred benefits:									
	11.1 Direct	27,988,289							27,988,289	
	11.2 Reinsurance assumed									
	11.3 Reinsurance ceded									
	11.4 Net	27,988,289							27,988,289	
12.	Incurred medical incentive pools and bonuses	230,272							230,272	

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - Claims Liability End of Current Year

		1	2	3	4	5	6	7	8	9
		Total	Compre- hensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1.	Reported in Process of Adjustment:									
	1.1 Direct	575,149	.....	.....	.....	.....	.....	.....	575,149	.....
	1.2 Reinsurance assumed .....		.....	.....	.....	.....	.....	.....		.....
	1.3 Reinsurance ceded .....		.....	.....	.....	.....	.....	.....		.....
	1.4 Net	575,149	.....	.....	.....	.....	.....	.....	575,149	.....
2.	Incurred but Unreported:									
	2.1 Direct	6,351	.....	.....	.....	.....	.....	.....	6,351	.....
	2.2 Reinsurance assumed .....		.....	.....	.....	.....	.....	.....		.....
	2.3 Reinsurance ceded .....		.....	.....	.....	.....	.....	.....		.....
	2.4 Net	6,351	.....	.....	.....	.....	.....	.....	6,351	.....
3.	Amounts Withheld from Paid Claims and Capitations:									
	3.1 Direct	75,010	.....	.....	.....	.....	.....	.....	75,010	.....
	3.2 Reinsurance assumed .....		.....	.....	.....	.....	.....	.....		.....
	3.3 Reinsurance ceded .....		.....	.....	.....	.....	.....	.....		.....
	3.4 Net	75,010	.....	.....	.....	.....	.....	.....	75,010	.....
4.	TOTALS									
	4.1 Direct	656,510	.....	.....	.....	.....	.....	.....	656,510	.....
	4.2 Reinsurance assumed .....		.....	.....	.....	.....	.....	.....		.....
	4.3 Reinsurance ceded .....		.....	.....	.....	.....	.....	.....		.....
	4.4 Net	656,510	.....	.....	.....	.....	.....	.....	656,510	.....

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

		Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
		1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred Durring the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
	Line of Business						
1.	Comprehensive (medical and hospital) .....	.....	.....	.....	.....	.....	.....
2.	Medicare Supplement .....	.....	.....	.....	.....	.....	.....
3.	Dental only .....	.....	.....	.....	.....	.....	.....
4.	Vision only .....	.....	.....	.....	.....	.....	.....
5.	Federal Employees Health Benefits Plan Premiums .....	.....	.....	.....	.....	.....	.....
6.	Title XVIII - Medicare .....	.....	.....	.....	.....	.....	.....
7.	Title XIX - Medicaid	2,209,558	29,160,384	1,505,156	(895,819)	3,714,714	4,013,912
8.	Other .....	.....	.....	.....	.....	.....	.....
9.	Subtotal	2,209,558	29,160,384	1,505,156	(895,819)	3,714,714	4,013,912
10.	Medical incentive pools, accrual and disbursements	238,194	.....	.....	227,689	238,194	235,611
11.	TOTALS	2,447,752	29,160,384	1,505,156	(668,130)	3,952,908	4,249,523

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS (000 Omitted)

Grand Total
Section A - Paid Claims

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior	2,107	35	17	(5)	(8)
2.	1998	11,128	2,264	12	4	(19)
3.	1999	X X X	12,548	3,657	39	(28)
4.	2000	X X X	X X X	17,507	1,223	(4)
5.	2001	X X X	X X X	X X X	34,765	1,295
6.	2002	X X X	X X X	X X X	X X X	27,782

Section B - Incurred Claims

Year in Which Losses Were Incurred		Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior	2,140	35	17	(5)	(8)
2.	1998	14,234	2,348	12	4	(19)
3.	1999	X X X	16,686	3,657	39	(28)
4.	2000	X X X	X X X	18,730	1,223	(4)
5.	2001	X X X	X X X	X X X	35,211	2,802
6.	2002	X X X	X X X	X X X	X X X	26,886

Section C - Incurred Year Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1	2	3	4	5	6	7	8	9	10
		Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1.	Prior to 1998	X X X	1		X X X	1	X X X			1	X X X
2.	1998	17,881	(19)			(19)	0			(19)	0
3.	1999	22,048	(28)			(28)	0			(28)	0
4.	2000	23,154	(4)			(4)	0			(4)	0
5.	2001	45,751	1,297			1,297	3	1,505		2,802	6
6.	2002	32,214	27,782			27,782	86	(896)		26,886	83
7.	TOTAL (Lines 1 through 6)	X X X	29,029		X X X	29,029	X X X	609		29,638	X X X
8.	TOTAL (Lines 2 through 6)	141,048	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X

12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Hospital and Medical	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Hospital and Medical	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Hospital and Medical	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Medicare Supplement	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Medicare Supplement . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Medicare Supplement . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Dental Only	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Dental Only	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Dental Only	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Fed Emp HBPP	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Fed Emp HBPP	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Fed Emp HBPP	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Title XVIII-Medicare	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Title XVIII-Medicare	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Title XVIII-Medicare	NONE

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS (000 Omitted)

Title XIX - Medicaid
Section A - Paid Claims

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior	2,107	35	17	(5)	(8)
2.	1998	11,128	2,264	12	4	(19)
3.	1999	X X X	12,548	3,657	39	(28)
4.	2000	X X X	X X X	17,507	1,223	(4)
5.	2001	X X X	X X X	X X X	34,765	1,295
6.	2002	X X X	X X X	X X X	X X X	27,782

Section B - Incurred Claims

Year in Which Losses Were Incurred		Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior	2,140	35	17	(5)	(8)
2.	1998	14,234	2,348	12	4	(19)
3.	1999	X X X	16,686	3,657	39	(28)
4.	2000	X X X	X X X	18,730	1,223	(4)
5.	2001	X X X	X X X	X X X	35,211	2,802
6.	2002	X X X	X X X	X X X	X X X	26,886

Section C - Incurred Year Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1	2	3	4	5	6	7	8	9	10
		Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1.	Prior to 1998	X X X	1		X X X	1	X X X			1	X X X
2.	1998	17,881	(19)			(19)	0			(19)	0
3.	1999	22,048	(28)			(28)	0			(28)	0
4.	2000	23,154	(4)			(4)	0			(4)	0
5.	2001	45,751	1,297			1,297	3	1,505		2,802	6
6.	2002	32,214	27,782			27,782	86	(896)		26,886	83
7.	TOTAL (Lines 1 through 6)	X X X	29,029		X X X	29,029	X X X	609		29,638	X X X
8.	TOTAL (Lines 2 through 6)	141,048	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Other NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur Claims - Other. NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Other. NONE

13 Underwriting Invest Exh Pt 2D - A & H Reserve - NONE

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

		1	2	3	4
		Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1.	Rent (\$..... for occupancy of own building)		331,162		331,162
2.	Salaries, wages and other benefits		2,628,580		2,628,580
3.	Commissions (less \$..... ceded plus \$..... assumed) ...				
4.	Legal fees and expenses		68,592		68,592
5.	Certifications and accreditation fees				
6.	Auditing, actuarial and other consulting services		328,463		328,463
7.	Traveling expenses		46,195		46,195
8.	Marketing and advertising		6,187		6,187
9.	Postage, express and telephone		328,758		328,758
10.	Printing and office supplies		303,700		303,700
11.	Occupancy, depreciation and amortization		655,629		655,629
12.	Equipment		168,341		168,341
13.	Cost or depreciation of EDP equipment and software				
14.	Outsourced services including EDP, claims, and other services		977,449		977,449
15.	Boards, bureaus and association fees		11,379		11,379
16.	Insurance, except on real estate		216,614		216,614
17.	Collection and bank service charges		47,361		47,361
18.	Group service and administration fees		245,983		245,983
19.	Reimbursements by uninsured accident and health plans				
20.	Reimbursements from fiscal intermediaries				
21.	Real estate expenses				
22.	Real estate taxes		21,848		21,848
23.	Taxes, licenses and fees:				
23.1	State and local insurance taxes				
23.2	State premium taxes		646,814		646,814
23.3	Regulator authority licenses and fees		2,181		2,181
23.4	Payroll taxes		182,520		182,520
23.5	Other (excluding federal income and real estate taxes)		24,879		24,879
24.	Investment expenses not included elsewhere				
25.	Aggregate write-ins for expenses		(2,100,542)		(2,100,542)
26.	Total expenses incurred (Lines 1 to 25)		5,142,092		(a).... 5,142,092
27.	Add expenses unpaid December 31, prior year		523,296		523,296
28.	Less expenses unpaid December 31, current year		244,451		244,451
29.	Amounts receivable relating to uninsured accident and health plans, prior year				
30.	Amounts receivable relating to uninsured accident and health plans, current year		285,919		285,919
31.	Total expenses paid (Lines 26 plus 27 minus 28 minus 29 plus 30) .		5,706,856		5,706,856
DETAILS OF WRITE-INS					
2501.	Other Miscellaneous Expenses		183,064		183,064
2502.	ASO Administrative Fee Revenue		(2,283,606)		(2,283,606)
2503	.....			
2598.	Summary of remaining write-ins for Line 25 from overflow page				
2599.	Totals (Lines 2501 through 2503 + 2598)(Line 25 above)		(2,100,542)		(2,100,542)

(a) Includes management fees of \$.....6,651,456 to affiliates and \$..... to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds	(a)..... 54,469	54,408
1.1	Bonds exempt from U.S. tax	(a).....	
1.2	Other bonds (unaffiliated)	(a).....	
1.3	Bonds of affiliates	(a).....	
2.1	Preferred stocks (unaffiliated)	(b).....	
2.11	Preferred stocks of affiliates	(b).....	
2.2	Common stocks (unaffiliated)		
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c).....	
4.	Real estate	(d).....	
5.	Contract loans		
6.	Cash/short-term investments	(e)..... 126,649	126,649
7.	Derivative instruments	(f).....	
8.	Other invested assets		
9.	Aggregate write-ins for investment income		
10.	Total gross investment income	181,118	181,057
11.	Investment expenses		(g).....
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g).....
13.	Interest expense		(h)..... 163,456
14.	Depreciation on real estate and other invested assets		(i).....
15.	Aggregate write-ins for deductions from investment income		
16.	Total deductions (Lines 11 through 15)		163,456
17.	Net Investment income (Line 10 minus Line 16)		17,601
DETAILS OF WRITE-INS			
0901	.....	
0902	.....	
0903	.....	
0998.	Summary of remaining write-ins for Line 9 from overflow page		
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above)		
1501	.....	
1502	.....	
1503	.....	
1598.	Summary of remaining write-ins for Line 15 from overflow page		
1599.	TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above)		

- (a) Includes \$.....319 accrual of discount less \$.....12,967 amortization of premium and less \$.....9,562 paid for accrued interest on purchases.
- (b) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued dividends on purchases.
- (c) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued interest on purchases.
- (d) Includes \$..... for company's occupancy of its own buildings; and excluding \$..... interest on encumbrances.
- (e) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued interest on purchases.
- (f) Includes \$..... accrual of discount less \$..... amortization of premium.
- (g) Includes \$..... investment expenses and \$..... investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$..... interest on surplus notes and \$..... interest on capital notes.
- (i) Includes \$..... depreciation on real estate and \$..... depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5
		Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment	Net Gain (Loss) from Change in Difference Between Basis Book/Adjusted Carrying and Admitted Values	Total
1.	U.S. Government bonds					
1.1	Bonds exempt from U.S. tax					
1.2	Other bonds (unaffiliated)					
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)					
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)					
2.21	Common stocks of affiliates					
3.	Mortgage loans					
4.	Real estate					
5.	Contract loans					
6.	Cash/short-term investments					
7.	Derivative instruments					
8.	Other invested assets					
9.	Aggregate write-ins for capital gains (losses)					
10.	Total capital gains (losses)					
DETAILS OF WRITE-INS						
0901	.....				
0902	.....				
0903	.....				
0998.	Summary of remaining write-ins for Line 9 from overflow page					
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above)					

NONE

EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS

		1	2	3
		End of Current Year	End of Prior Year	Changes for Year (Increase) or Decrease
1.	Summary of items Page 2, Lines 10 to 13 and 15 to 20, Column 2 .....	.....	.....	.....
2.	Other Nonadmitted Assets:			
2.1	Bills receivable .....	.....	.....	.....
2.2	Leasehold improvements .....	.....	.....	.....
2.3	Cash advanced to or in the hands of officers and agents .....	.....	.....	.....
2.4	Loans on personal security, endorsed or not .....	.....	.....	.....
2.5	Commuted commissions .....	.....	.....	.....
3.	Total (Lines 2.1 to 2.5) .....	.....	.....	.....
4.	Aggregate write-ins for other assets .....	.....	.....	.....
5.	TOTAL (Line 1 plus Line 3 and Line 4) .....	.....	.....	.....
DETAILS OF WRITE-INS				
0401.	.....	.....	.....	.....
0402	.....	.....	.....	.....
0403	.....	.....	.....	.....
0498.	Summary of remaining write-ins for Line 4 from overflow page .....	.....	.....	.....
0499.	TOTALS (Lines 0401 through 0403 plus 0498) (Line 4 above) .....	.....	.....	.....

EXHIBIT 2 - ENROLLMENT BY PRODUCT TYPE

Source of Enrollment		Total Members at End of					6
		1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1.	Health Maintenance Organizations	35,711	35,688	32,723	31,030	26,632	389,254
2.	Provider Service Organizations						
3.	Preferred Provider Organizations						
4.	Point of Service						
5.	Indemnity Only						
6.	Aggregate write-ins for other lines of business						
7.	TOTAL	35,711	35,688	32,723	31,030	26,632	389,254
DETAILS OF WRITE-INS							
0601	.....					
0602	.....					
0603	.....					
0698.	Summary of remaining write-ins for Line 6 from overflow page						
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)						

18 Exhibit 3 - Accident and Health Premiums - NONE

19 Exhibit 4 - Health Care Receivables - NONE

EXHIBIT 5 - CLAIMS PAYABLE (Reported and Unreported)
Aging Analysis of Unpaid Claims

1 Account	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 91 - 120 Days	6 Over 120 Days	7 Total
Individually Listed Claims Payable						
Global Capitation Providers					650,159	650,159
0199999 Total - Individually Listed Claims Payable					650,159	650,159
0299999 Aggregate Accounts Not Individually Listed - Uncovered						
0399999 Aggregate Accounts Not Individually Listed - Covered						
0499999 Subtotals					650,159	650,159
0599999 Unreported claims and other claim reserves						6,351
0699999 Total Amounts Withheld						
0799999 Total Claims Payable						656,510
0899999 Accrued Medical Incentive Pool						227,689

EXHIBIT 6 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

1 Name of Affiliate	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 Over 90 Days	6 Nonadmitted	Admitted	
						7 Current	8 Non-Current
	NONE						
0399999 Total gross amounts receivable .....	.....	.....	.....	.....	.....	.....	.....

EXHIBIT 7 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES

1 Affiliate	2 Description	3 Amount	4 Current	5 Non-Current
Individually listed payables				
Victory Management Services, Inc.	Management Fees	160,300	160,300	
0199999 Total - Individually listed payables	X X X	160,300	160,300	
0299999 Payables not individually listed	X X X			
0399999 Total gross payables	X X X	160,300	160,300	

EXHIBIT 8 - PART 1 - SUMMARY OF TRANSACTIONS WITH PROVIDERS

		1	2	3	4	5	6
Payment Method		Direct Medical Expense Payment	Column 1 as a % of Total	Total Members Covered	Column 3 as a % of Total	Column 1 Expenses Paid to Affiliated Providers	Column 1 Expenses Paid to Non-Affiliated Providers
Capitation Payments:							
1.	Medical groups	30,742,414	97.290	191,893	100.000		30,742,414
2.	Intermediaries						
3.	All other providers						
4.	Total capitation payments	30,742,414	97.290	191,893	100.000		30,742,414
Other Payments:							
5.	Fee-for-service	856,320	2.710	X X X	X X X		856,320
6.	Contractual fee payments			X X X	X X X		
7.	Bonus/withhold arrangements - fee-for-service			X X X	X X X		
8.	Bonus/withhold arrangements - contractual fee payments			X X X	X X X		
9.	Non-contingent salaries			X X X	X X X		
10.	Aggregate cost arrangements			X X X	X X X		
11.	All other payments			X X X	X X X		
12.	Total other payments	856,320	2.710	X X X	X X X		856,320
13.	Total (Line 4 plus Line 12)	31,598,734	100.000	X X X	X X X		31,598,734

EXHIBIT 8 - PART 2 - SUMMARY OF TRANSACTIONS WITH INTERMEDIARIES

1	2	3	4	5	6
NAIC Code	Name of Intermediary	Capitation Paid	Average Monthly Capitation	Intermediary's Total Adjusted Capital	Intermediary's Authorized Control Level RBC
		N O N E			
9999999			X X X	X X X	X X X

EXHIBIT 9 - FURNITURE, EQUIPMENT AND SUPPLIES OWNED

		1	2	3	4	5	6
Description		Cost	Improvements	Accumulated Depreciation	Book Value Less Encumbrances	Assets Not Admitted	Net Admitted Assets
1.	Administrative furniture and equipment						
2.	Medical furniture, equipment and fixtures						
3.	Pharmaceuticals and surgical supplies						
4.	Durable medical equipment						
5.	Other property and equipment						
6.	Total						

NONE

Notes to Financial Statement

1. Summary of Significant Accounting Policies

- A. The financial statements of Victory Health Plan, Inc. ("VHP") are presented on the basis of accounting practices prescribed or permitted by the Tennessee Department of Commerce and Insurance ("Department").

The Department recognizes only statutory accounting practices prescribed or permitted by the State of Tennessee for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Tennessee Insurance Law. Effective January 1, 2001, the Department required that insurance companies domiciled in the State of Tennessee prepare their statutory financial statements in accordance with the National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures Manual

("NAIC SAP") as modified by the Department. Accordingly, the admitted assets, liabilities, capital and surplus of VHP as of December 31, 2002 and 2001, and the results of its operations and cash flows for the years then ended have been determined in accordance with the NAIC accounting principles.

There are no differences affecting VHP's net income or capital and surplus as a result of differences between the NAIC SAP and practices prescribed and permitted by the State of Tennessee.

Effective July 1, 2002, VHP signed two Amendments to the Contractor Risk Agreement with the State of Tennessee. Under the terms of these amendments, VHP has effectively become an administrative services only ("ASO") provider throughout an 18-month "stabilization" period. The contract changes provide an administrative services only fee to cover the processing of claims and other administrative costs of VHP; all medical risk has shifted to the State of Tennessee with incurred dates of service beginning July 1, 2002. VHP has followed SAP No. 47 to account for the ASO operations from July 1, 2002 through December 31, 2002.

- B. The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

- (1) Bonds are stated at amortized cost and bond premium is amortized using the straight-line method.
- (2) Medical Claims Payable represents the liability for services that have been performed by providers for the enrollees of the health maintenance organization. This liability includes medical and hospital expense claims reported to the Company and an actuarially determined estimate of claims that have been incurred but not reported. This estimate is based on the Company's available data history of claims paid. Medical expenses also include the payments made to providers under capitation arrangements.
- (3) During 2001 and the first six months of 2002, VHP received all of its premium revenue from its contractual arrangements with the State of Tennessee's TennCare program. Capitation payments are received monthly and are recognized as revenue during the period in which VHP is obligated to provide or arrange services for its enrollees.

2. Accounting Changes and Corrections of Errors

- A. As a result of amended contract between VHP and the State of Tennessee, VHP became an administrative services only provider as of July 1, 2002. To properly account for the ASO activities, VHP has attempted to follow SSAP No. 47, Uninsured Plans. In addition, accounting changes adopted to conform to the provisions of the NAIC SAP, as modified, were reported as a change in accounting principle for 2001.

VHP made one restatement of a figure related to its 2001 annual statement. Medical claims payable were previously reported as \$4,424,523 on Line 1. of the Statement of Liabilities, Capital and Surplus. This amount included \$235,611 accrued for the payment of medical risk pools related to VHP's globally capitated contracts. As a result, the \$235,611 has been reclassified to Line 2. Accrued Medical Incentive Pool and Bonus Payments. Similarly, the related expense for this item has been reclassified on the Statement of Revenue and Expenses,

Notes to Financial Statement

from line 8, Hospital and Medical Benefits, to Line 14, Incentive Pool and Withhold Adjustments. Neither of these reclassifications have any affect on net income or statutory capital.

- B. Accounting changes adopted to conform to the provisions of the NAIC SAP, as modified, are reported as changes in accounting principles. The cumulative effect of the changes in accounting principles has been reported as an adjustment of unassigned surplus at January 1, 2001. The cumulative effect is the difference between the amount of capital and surplus at January 1, 2001 and the amount of capital and surplus that would have been reported at that data if the new accounting principles had been applied retroactively for all prior periods. The adoption of the new accounting principles in the NAIC SAP, as modified, has the effect of increasing capital and surplus at January 1, 2001 by \$73,310.

3. Business Combinations and Goodwill

Not applicable.

4. Discontinued Operations

Not applicable.

5. Investments

Not applicable.

6. Joint Ventures, Partnerships and Limited Liability Companies

Not applicable.

7. Investment Income

- A. Due and accrued investment income was excluded from surplus on the following bases:

All investment income due and accrued with amounts that are over 90 days past due.

- B. The total amount excluded was \$3,439

8. Derivative Instruments

Not applicable.

9. Income Taxes

Windsor Health Group, Inc. files a consolidated federal tax return which includes the operations of VHP and VMS.

VHP has reported a deferred tax asset of \$86,690 for the years ended December 31, 2002 and 2001. This asset represents the tax effect of a temporary difference resulting from the discounting of medical claims payable for tax purposes. The deferred tax asset as of January 1, 2001 was recorded directly to capital and surplus as a cumulative effect of a change in accounting principle to conform to the provisions of the NAIC SAP, as modified. The change in the deferred tax asset is reported as a separate component of gains and losses in capital and surplus.

10. Information Concerning Parent, Subsidiaries and Affiliates

Windsor Health Group, Inc. ("Windsor") owns 100% of the outstanding common stock of VHP. Windsor also owns 100% of the outstanding common stock of Victory Management Services, Inc. ("VMS") In addition, the Directors of VHP own 90% of the outstanding common stock of Windsor, with the additional 10% being owned by Vanderbilt Health Services, Inc.

VMS provides all management activities for VHP, in exchange for a base fee stipulated in a management contract between the parties. As of December 31, 2002 and 2001, VHP owed VMS \$112,100 and \$82,024 for management fees. As prescribed by NAIC guidelines, management fees have been allocated to the appropriate expense categories for the purposes of completing the Underwriting and Investment Exhibits. In order to allocate the management fees to VHP, a ratio of each expense to total expenses incurred by the management company is calculated. The ratios are then applied to management fees so that an amount can be allocated to each category.

Notes to Financial Statement

11. Debt

On March 30, 2001 Vanderbilt University issued a subordinated surplus note to VHP in the amount of \$4,231,300. Interest is calculated quarterly, according to the terms of the note agreement, at the prime rate of Bank America on the date of measurement. Interest is paid only after express permission from the Commissioner of Insurance in the State of Tennessee has been received. During 2002 and 2001, interest in the amount of \$163,456 and \$72,135, respectively, was approved and paid to the note holder.

12. Retirement Plans, Deferred Compensation, Post employment Benefits and Compensated Absences and Other Postretirement Benefit Plans.

Not applicable.

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations.

As of December 31, 2002 and 2001, there were 100,000 shares of \$1.00 par value common stock issued and outstanding. The maximum amount of dividends that can be paid to shareholders, with the prior approval of the Tennessee Commissioner of Insurance, is limited to the greater of 10% of net worth as of December 31 next preceding or the net income from operations (excluding realized capital gains) for the twelve-month period ending December 31 next preceding.

14. Contingencies

Not applicable.

15. Leases

Not applicable.

16. Information About Financial Instruments with Off-Balance-Sheet Risk, Financial Instruments with Concentration of Credit Risk

Not applicable.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

Not applicable.

**18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans
ASO Plan Activities**

The loss from operations from Administrative Services Only uninsured plans was as follows during 2002:

a. Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	(\$551,190)
b. Total net other income or expenses (including interest paid to or received from plans)	<u>0</u>
c. Net gain or (loss) from operations	<u>(\$551,190)</u>
d. Total claim payment volume (includes \$241,255 in premium tax pmts)	\$22,256,754.70

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

Not applicable.

20. Other Items

None.

21. Events Subsequent

None.

22. Reinsurance

A. Ceded Reinsurance

VHP does not have any ceded reinsurance for 2002 or 2001. VHP obtains reinsurance coverage for one of its globally capitated providers. However, the provider is responsible for payment of

Notes to Financial Statement

the premiums and receives all recoveries.

23. Retrospectively Rated Contracts and Contracts Subject to Redetermination
Not applicable.

24. Change in Incurred Claims and Claim Adjustment Expenses
The liability for claims unpaid decreased by approximately \$3,640,186 from December 31, 2001 to December 31, 2002. This decrease is primarily due to the change to ASO operations effective July 1, 2002. The remaining \$609,337 of claims unpaid as of December 31, 2002 is for medical services rendered through June 30, 2002. Also included in the 2002 number are amounts payable to the globally capitated providers.

From December 31, 2000 to December 31, 2001 the liability for claims unpaid increased by approximately \$3,000,000. This increase was primarily attributable to the significant increase in VHP's membership (13,000 to 33,000) that occurred on July 1, 2001. However, some of this increase was also the result of rising healthcare costs. In 2001, the business to which the increase in this liability related was subject to premium adjustments so there was no significant impact on surplus.

25. Intercompany Pooling Arrangements
Not applicable.

26. Structured Settlements
Not applicable.

27. Health Care Receivables
Not applicable.

28. Participating Policies
Not applicable.

29. Premium Deficiency Reserve
Not applicable.

30. Anticipated Salvage and Subrogation
Not applicable.

SUMMARY INVESTMENT SCHEDULE

Investment Categories		Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
		1 Amount	2 Percentage	3 Amount	4 Percentage
1.	Bonds:				
1.1	U.S. treasury securities	1,234,409	20.563	1,234,409	20.563
1.2	U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21	Issued by U.S. government agencies				
1.22	Issued by U.S. government sponsored agencies				
1.3	Foreign government (including Canada, excluding mortgage-backed securities)				
1.4	Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41	States, territories and possessions general obligations				
1.42	Political subdivisions of states, territories and possessions and political subdivisions general obligations				
1.43	Revenue and assessment obligations				
1.44	Industrial development and similar obligations				
1.5	Mortgage-backed securities (includes residential and commercial MBS):				
1.51	Pass-through securities:				
1.511	Guaranteed by GNMA				
1.512	Issued by FNMA and FHLMC				
1.513	Privately issued				
1.52	CMOs and REMICs:				
1.521	Issued by FNMA and FHLMC				
1.522	Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, or FHLMC				
1.523	All other privately issued				
2.	Other debt and other fixed income securities (excluding short term):				
2.1	Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)				
2.2	Unaffiliated foreign securities				
2.3	Affiliated securities				
3.	Equity interests:				
3.1	Investments in mutual funds				
3.2	Preferred stocks:				
3.21	Affiliated				
3.22	Unaffiliated				
3.3	Publicly traded equity securities (excluding preferred stocks):				
3.31	Affiliated				
3.32	Unaffiliated				
3.4	Other equity securities:				
3.41	Affiliated				
3.42	Unaffiliated				
3.5	Other equity interests including tangible personal property under lease:				
3.51	Affiliated				
3.52	Unaffiliated				
4.	Mortgage loans:				
4.1	Construction and land development				
4.2	Agricultural				
4.3	Single family residential properties				
4.4	Multifamily residential properties				
4.5	Commercial loans				
5.	Real estate investments:				
5.1	Property occupied by company				
5.2	Property held for production of income (includes \$..... of property acquired in satisfaction of debt)				
5.3	Property held for sale (\$..... including property acquired in satisfaction of debt)				
6.	Policy loans				
7.	Receivables for securities				
8.	Cash and short-term investments	4,768,673	79.437	4,768,673	79.437
9.	Other invested assets				
10.	Total invested assets	6,003,082	100.000	6,003,082	100.000

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES
GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes[X] No[]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes[X] No[] N/A[]
- 1.3 State Regulating?

Tennessee
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[] No[X]
- 2.2 If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2001
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

06/30/1997
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

02/23/1998
- 3.4 By what department or departments?
Tennessee Department of Commerce & Insurance
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

Yes[] No[X]
- 4.11 sales of new business?

Yes[] No[X]
- 4.12 renewals?
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

Yes[] No[X]
- 4.21 sales of new business?

Yes[] No[X]
- 4.22 renewals?
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[] No[X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action either formal or informal, if a confidentiality clause is part of the agreement)

Yes[] No[X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes[] No[X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

1	2
Nationality	Type of Entity

GENERAL INTERROGATORIES (continued)

8. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Deloitte & Touche LLP, 424 Church Street, Suite 2400 Nashville, Tennessee 37219

9. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Edgar Schneider or James Drennan actuaries, Reden & Anders Ltd, 2170 Satellite Blvd, Suite 150, Duluth, GA 30097

10. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
10.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
10.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?
10.3 Have there been any changes made to any of the trust indentures during the year?
10.4 If answer to (10.3) is yes, has the domiciliary or entry state approved the changes?
- Yes[] No[X] N/A[]
Yes[] No[X] N/A[]
Yes[] No[X] N/A[]

BOARD OF DIRECTORS

11. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof?

12. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?

13. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees which is in or is likely to conflict with the official duties of such person?
- Yes[X] No[]
Yes[X] No[]
Yes[X] No[]

FINANCIAL

- 14.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
14.11 To directors or other officers
14.12 To stockholders not officers
14.13 Trustees, supreme or grand (Fraternal only)

14.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
14.21 To directors or other officers
14.22 To stockholders not officers
14.23 Trustees, supreme or grand (Fraternal only)

15.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

15.2 If yes, state the amount thereof at December 31 of the current year:
15.21 Rented from others
15.22 Borrowed from others
15.23 Leased from others
15.24 Other
- \$
\$
\$
\$
\$
\$
\$
\$
\$
\$
\$
\$
\$
\$
\$
- Disclose in Notes to Financial the nature of each obligation.

16.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

16.2 If answer is yes:
16.21 Amount paid as losses or risk adjustment
16.22 Amount paid as expenses
16.23 Other amounts paid
- Yes[] No[X]
Yes[] No[X]
Yes[] No[X]
Yes[] No[X]
Yes[] No[X]
Yes[] No[X]
Yes[] No[X]
Yes[] No[X]
Yes[] No[X]
Yes[] No[X]
Yes[] No[X]
Yes[] No[X]
Yes[] No[X]
Yes[] No[X]
Yes[] No[X]

GENERAL INTERROGATORIES (continued)

INVESTMENT

17. List the following capital stock information for the reporting entity:

	1	2	3	4	5	6
Class	Number of Shares Authorized	Number of Shares Outstanding	Par Value Per Share	Redemption Price If Callable	Is Dividend Rate Limited?	Are Dividends Cumulative?
1. Preferred .....	.....	.....	.....	.....	Yes[] No[] N/A[X]	Yes[] No[] N/A[X]
2. Common .....	..... 100,000.000	..... 100,000.000	..... 1.000	..... X X X .....	..... X X X .....	..... X X X

18.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 2 - Special Deposits?

18.2 If no, give full and complete information, relating thereto:
Bank of America Securities, Atlanta, Georgia

Yes[] No[X]

19.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E - Part 2 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 15.1).

19.2 If yes, state the amount thereof at December 31 of the current year:

Yes[] No[X]

19.21 Loaned to others

19.22 Subject to repurchase agreements

19.23 Subject to reverse repurchase agreements

19.24 Subject to dollar repurchase agreements

19.25 Subject to reverse dollar repurchase agreements

19.26 Pledged as collateral

19.27 Placed under option agreements

19.28 Letter stock or securities restricted as to sale

19.29 Other

\$

19.3 For each category above, if any of these assets are held by other, identify by whom held:

19.31

19.32

19.33

19.34

19.35

19.36

19.37

19.38

19.39

For categories (19.21) and (19.23) above, and for any securities that were made available for use by another person during the period covered by this statement, attach a schedule as shown in the instructions to the annual statement.

19.4 For category (19.28) provide the following:

1	2	3
Nature of Restriction	Description	Amount
.....

20.1 Does the reporting entity have any hedging transactions reported on Schedule DB?

20.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?
If no, attach a description with this statement.

Yes[] No[X]

Yes[] No[] N/A[X]

21.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

21.2 If yes, state the amount thereof at December 31 of the current year.

Yes[] No[X]

\$

22. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

22.1 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

Yes[] No[X]

1		2
Name of Custodian(s)		Custodian's Address
22.1001

GENERAL INTERROGATORIES (continued)

INVESTMENT

22.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

22.03 Have there been any changes, including name changes, in the custodian(s) identified in 22.01 during the current year? Yes[] No[X]
22.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

22.05 Identify all investment advisers, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address

23.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$
23.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid

24.1 Amount of payments for legal expenses, if any? \$
24.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid

25.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$
25.2 List the name of firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies officers or department of government during the period covered by this statement.

1 Name	2 Amount Paid

FIVE-YEAR HISTORICAL DATA

	1 2002	2 2001	3 2000	4 1999	5 1998
BALANCE SHEET ITEMS (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 23)	6,601,282	11,331,914	12,192,569	11,731,520	10,297,798
2. Total liabilities (Page 3, Line 18)	1,128,649	4,936,328	6,302,904	4,364,524	4,648,438
3. Statutory surplus					
4. Total capital and surplus (Page 3, Line 26)	5,472,633	6,395,586	5,889,665	7,366,996	5,649,360
INCOME STATEMENT ITEMS (Page 4)					
5. Total revenues (Line 7)	32,340,696	45,412,968	23,121,689	22,047,819	17,880,847
6. Total medical and hospital expenses (Line 17)	28,215,978	39,014,848	18,952,803	17,850,483	15,703,444
7. Total administrative expenses (Line 19)	5,142,092	6,224,843	2,749,383	3,344,568	2,687,684
8. Net underwriting gain (loss) (Line 22)	(1,017,374)	173,277	1,455,592	852,768	(510,281)
9. Net investment gain (loss) (Line 25)	17,601	260,739	399,298	436,390	318,791
10. Total other income (Lines 26 plus 27)			(14,378,142)	(12,801,208)	(28,135,589)
11. Net income or (loss) (Line 30)	(922,954)	270,507	(12,523,252)	(11,512,050)	(28,327,109)
RISK-BASED CAPITAL ANALYSIS					
12. Total adjusted capital	5,472,633	6,395,586	6,089,307	7,366,996	5,649,360
13. Authorized control level risk-based capital	865,566	1,048,450	830,926	1,813,720	1,280,956
ENROLLMENT (Exhibit 2)					
14. Total members at end of period (Column 5, Line 7)	26,632	35,711	13,507	12,353	11,587
15. Total members months (Column 6, Line 7)	389,254	296,119	153,520	146,118	143,841
OPERATING PERCENTAGE (Page 4) (Item divided by Page 4, sum of Lines 2, 3 and 5)					
16. Premiums earned (Lines 2 plus 3)	100.0	100.0	100.0	100.0	100.0
17. Total medical and hospital (Line 17)	87.2	85.9	82.0	81.0	87.8
18. Total underwriting deductions (Line 21)	103.1	99.6	93.7	96.1	102.9
19. Total underwriting gain (loss) (Line 22)	(3.1)	0.4	6.3	3.9	(2.9)
UNPAID CLAIMS ANALYSIS (U&I Exhibit, Part 2B)					
20. Total claims incurred for prior years (Line 11, Col. 5)	3,952,908	1,222,539	3,696,669	2,383,464	2,139,730
21. Estimated liability of unpaid claims-[prior year (Line 11, Col. 6)] ..	4,249,523	1,222,539	4,222,521	3,138,704	2,085,360

FIVE-YEAR HISTORICAL DATA (Continued)

		1	2	3	4	5
		2002	2001	2000	1999	1998
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES						
22.	Affiliated bonds (Sch. D Summary, Line 25, Col. 1)					
23.	Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1)					
24.	Affiliated common stocks (Sch. D Summary, Line 53, Col. 2)					
25.	Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11)					
26.	Affiliated mortgage loans on real estate					
27.	All other affiliated					
28.	Total of above Lines 22 to 27					



EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

REPORT FOR: 1. CORPORATION: Victory Health Plan, Inc. 2. DIVISION: Nashville, Tennessee

NAIC Group Code 1268

BUSINESS IN THE STATE OF **GRAND TOTAL** DURING THE YEAR

NAIC Company Code 95792

	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10
		2	3							
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
Total Members at end of:										
1. Prior Year	35,711								35,711	
2. First Quarter	35,688								35,688	
3. Second Quarter	32,723								32,723	
4. Third Quarter	31,030								31,030	
5. Current Year	26,632								26,632	
6. Current Year Member Months	389,254								389,254	
Total Member Ambulatory Encounters for Year:										
7. Physician	160,906								160,906	
8. Non-Physician	41,642								41,642	
9. Total	202,548								202,548	
10. Hospital Patient Days Incurred	16,396								16,396	
11. Number of Inpatient Admissions	3,769								3,769	
12. Premiums Collected	32,614,246								32,614,246	
13. Premiums Earned	32,340,696								32,340,696	
14. Amount Paid for Provision of Health Care Services	31,628,475								31,628,475	
15. Amount of Incurred for Provision of Health Care Services	28,215,978								28,215,978	

34 Grand Total



EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

REPORT FOR: 1. CORPORATION: Victory Health Plan, Inc. 2. DIVISION: Nashville, Tennessee

NAIC Group Code 1268

BUSINESS IN THE STATE OF **TENNESSEE** DURING THE YEAR

NAIC Company Code 95792

	1	Comprehensive (Hospital & Medical)		4	5	6	7 Federal Employees Health Benefit Plan	8	9	10
		2	3							
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only		Title XVIII Medicare	Title XIX Medicaid	Other
Total Members at end of:										
1. Prior Year	35,711								35,711	
2. First Quarter	35,688								35,688	
3. Second Quarter	32,723								32,723	
4. Third Quarter	31,030								31,030	
5. Current Year	26,632								26,632	
6. Current Year Member Months	389,254								389,254	
Total Member Ambulatory Encounters for Year:										
7. Physician	160,906								160,906	
8. Non-Physician	41,642								41,642	
9. Total	202,548								202,548	
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11. Number of Inpatient Admissions	3,769								3,769	
12. Premiums Collected	32,614,246								32,614,246	
13. Premiums Earned	32,340,696								32,340,696	
14. Amount Paid for Provision of Health Care Services	31,628,475								31,628,475	
15. Amount of Incurred for Provision of Health Care Services	28,215,978								28,215,978	

SCHEDULE A - VERIFICATION BETWEEN YEARS

1.	Book/adjusted carrying value, December 31, prior year (prior year statement)	
2.	Increase (decrease) by adjustment:	
2.1	Totals, Part 1, Column 10	
2.2	Totals, Part 3, Column 7	
3.	Cost of acquired, (Totals, Part 2, Column 6, net of encumbrances (Column 7) and net of additions and permanent improvements (Column 9))	
4.	Cost of additions and permanent improvements:	
4.1	Totals, Part 1, Column 13	
4.2	Totals, Part 3, Column 9	
5.	Total profit (loss) on sales, Part 3, Column 14	
6.	Increase (decrease) by foreign exchange adjustment	
6.1	Totals, Part 1, Column 11	
6.2	Totals, Part 3, Column 8	
7.	Amounts received on sales, Part 3, Column 11 and Part 1, Column 12	
8.	Book/adjusted carrying value at the end of current period	
9.	Total valuation allowance	
10.	Subtotal (Lines 8 plus 9)	
11.	Total nonadmitted amounts	
12.	Statement value, current period (Page 2, real estate lines, current period)	

NONE

SCHEDULE B - VERIFICATION BETWEEN YEARS

1.	Book value/recorded investment excluding accrued interest of mortgages owned, December 31 of prior year	
2.	Amount loaned during year:	
2.1	Actual cost at time of acquisitions	
2.2	Additional investment made after acquisitions	
3.	Accrual of discount and mortgage interest points and commitment fees	
4.	Increase (decrease) by adjustment	
5.	Total profit (loss) on sale	
6.	Amounts paid on account or in full during the year	
7.	Amortization of premium	
8.	Increase (decrease) by foreign exchange adjustment	
9.	Book value/recorded investment excluding accrued interest on mortgages owned at end of current period	
10.	Total valuation allowance	
11.	Subtotal (Lines 9 plus 10)	
12.	Total nonadmitted amounts	
13.	Statement value of mortgages owned at end of current period	

NONE

SCHEDULE BA - VERIFICATION BETWEEN YEARS

1.	Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year	
2.	Cost of acquisitions during year:	
2.1	Actual cost at time of acquisitions	
2.2	Additional investment made after acquisitions	
3.	Accrual of discount	
4.	Increase (decrease) by adjustment	
5.	Total profit (loss) on sale	
6.	Amounts paid on account or in full during the year	
7.	Amortization of premium	
8.	Increase (decrease) by foreign exchange adjustment	
9.	Book/adjusted carrying value of long-term invested assets at end of current period	
10.	Total valuation allowance	
11.	Subtotal (Lines 9 plus 10)	
12.	Total nonadmitted amounts	
13.	Statement value of long-term invested assets at end of current period	

NONE

SCHEDULE D - SUMMARY BY COUNTRY
Long-term Bonds and Stocks OWNED December 31 of Current Year

Description			1 Book/Adjusted Carrying Value	2 Fair Value (a)	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1.	United States	1,234,409	1,272,707	1,250,417	1,210,000
	2.	Canada				
	3.	Other Countries				
	4.	Totals	1,234,409	1,272,707	1,250,417	1,210,000
States, Territories and Possessions (Direct and Guaranteed)	5.	United States				
	6.	Canada				
	7.	Other Countries				
	8.	Totals				
Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	9.	United States				
	10.	Canada				
	11.	Other Countries				
	12.	Totals				
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13.	United States				
	14.	Canada				
	15.	Other Countries				
	16.	Totals				
Public Utilities (unaffiliated)	17.	United States				
	18.	Canada				
	19.	Other Countries				
	20.	Totals				
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21.	United States				
	22.	Canada				
	23.	Other Countries				
	24.	Totals				
Parent, Subsidiaries and Affiliates	25.	Totals				
	26.	Total Bonds	1,234,409	1,272,707	1,250,417	1,210,000
PREFERRED STOCKS Public Utilities (unaffiliated)	27.	United States				
	28.	Canada				
	29.	Other Countries				
	30.	Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31.	United States				
	32.	Canada				
	33.	Other Countries				
	34.	Totals				
Industrial and Miscellaneous (unaffiliated)	35.	United States				
	36.	Canada				
	37.	Other Countries				
	38.	Totals				
Parent, Subsidiaries and Affiliates	39.	Totals				
	40.	Total Preferred Stocks				
COMMON STOCKS Public Utilities (unaffiliated)	41.	United States				
	42.	Canada				
	43.	Other Countries				
	44.	Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45.	United States				
	46.	Canada				
	47.	Other Countries				
	48.	Totals				
Industrial and Miscellaneous (unaffiliated)	49.	United States				
	50.	Canada				
	51.	Other Countries				
	52.	Totals				
Parent, Subsidiaries and Affiliates	53.	Totals				
	54.	Total Common Stocks				
	55.	Total Stocks				
	56.	Total Bonds and Stocks	1,234,409	1,272,707	1,250,417	

(a) The aggregate value of bonds which are valued at other than actual fair value is \$.....

SCHEDULE D - Verification Between Years

1. Book/adjusted carrying value of bonds and stocks, prior year.	<u>1,012,004</u>	6. Foreign Exchange Adjustment	
2. Cost of bonds and stocks acquired, Column 6, Part 3.....	<u>805,053</u>	6.1 Column 17, Part 1.....	
3. Increase (decrease) by adjustment:		6.2 Column 13, Part 2, Section 1.....	
3.1 Column 16, Part 1.....	<u>(11,356)</u>	6.3 Column 11, Part 2, Section 2.....	
3.2 Column 12, Part 2, Section 1.....		6.4 Column 11, Part 4.....	
3.3 Column 10, Part 2, Section 2.....			
3.4 Column 10, Part 4.....	<u>(1,292)</u>	7. Book/adjusted carrying value at end of current period.....	<u>1,234,409</u>
4. Total gain (loss), Column 14, Part 4.....		8. Total valuation allowance.....	
5. Deduct consideration for bonds and stocks disposed of		9. Subtotal (Lines 7 plus 8).....	<u>1,234,409</u>
Column 6, Part 4.....	<u>570,000</u>	10. Total nonadmitted assets.....	
		11. Statement value of bonds and stocks, current period.....	<u>1,234,409</u>

SCHEDULE D - PART 1A - SECTION 1

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating Per the NAIC Designation		1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
1.	U.S. GOVERNMENTS, SCHEDULES D & DA (Group 1)											
1.1	Class 1		1,234,409				1,234,409	100.00	1,012,004	100.00	1,234,409	
1.2	Class 2											
1.3	Class 3											
1.4	Class 4											
1.5	Class 5											
1.6	Class 6											
1.7	TOTALS		1,234,409				1,234,409	100.00	1,012,004	100.00	1,234,409	
2.	ALL OTHER GOVERNMENTS, SCHEDULES D & DA (Group 2)											
2.1	Class 1											
2.2	Class 2											
2.3	Class 3											
2.4	Class 4											
2.5	Class 5											
2.6	Class 6											
2.7	TOTALS											
3.	STATES, TERRITORIES AND POSSESSIONS ETC., GUARANTEED, SCHEDULES D & DA (Group 3)											
3.1	Class 1											
3.2	Class 2											
3.3	Class 3											
3.4	Class 4											
3.5	Class 5											
3.6	Class 6											
3.7	TOTALS											
4.	POLITICAL SUBDIVISIONS OF STATES, TERRITORIES & POSSESSIONS, GUARANTEED, SCHEDULES D & DA (Group 4)											
4.1	Class 1											
4.2	Class 2											
4.3	Class 3											
4.4	Class 4											
4.5	Class 5											
4.6	Class 6											
4.7	TOTALS											
5.	SPECIAL REVENUE & SPECIAL ASSESSMENT OBLIGATIONS ETC., NON-GUARANTEED, SCHEDULES D & DA (Group 5)											
5.1	Class 1											
5.2	Class 2											
5.3	Class 3											
5.4	Class 4											
5.5	Class 5											
5.6	Class 6											
5.7	TOTALS											

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating Per the NAIC Designation		1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
6.	PUBLIC UTILITIES (UNAFFILIATED), SCHEDULES D & DA (Group 6)											
6.1	Class 1											
6.2	Class 2											
6.3	Class 3											
6.4	Class 4											
6.5	Class 5											
6.6	Class 6											
6.7	TOTALS											
7.	INDUSTRIAL & MISCELLANEOUS (UNAFFILIATED), SCHEDULES D & DA (Group 7)											
7.1	Class 1											
7.2	Class 2											
7.3	Class 3											
7.4	Class 4											
7.5	Class 5											
7.6	Class 6											
7.7	TOTALS											
8.	CREDIT TENANT LOANS, SCHEDULES D & DA (Group 8)											
8.1	Class 1											
8.2	Class 2											
8.3	Class 3											
8.4	Class 4											
8.5	Class 5											
8.6	Class 6											
8.7	TOTALS											
9.	PARENT, SUBSIDIARIES AND AFFILIATES, SCHEDULES D & DA (Group 9)											
9.1	Class 1											
9.2	Class 2											
9.3	Class 3											
9.4	Class 4											
9.5	Class 5											
9.6	Class 6											
9.7	TOTALS											

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values By Major Types of Issues and NAIC Designations

	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
10. TOTAL BONDS CURRENT YEAR											
10.1 Class 1		1,234,409				1,234,409	100.00	X X X	X X X	1,234,409	
10.2 Class 2								X X X	X X X		
10.3 Class 3								X X X	X X X		
10.4 Class 4								X X X	X X X		
10.5 Class 5						(c)		X X X	X X X		
10.6 Class 6						(c)		X X X	X X X		
10.7 TOTALS		1,234,409				(b) 1,234,409	100.00	X X X	X X X	1,234,409	
10.8 Line 10.7 as a % of Column 6		100.00				100.00	X X X	X X X	X X X	100.00	
11. TOTAL BONDS PRIOR YEAR											
11.1 Class 1		1,012,004				X X X	X X X	1,012,004	100.00	1,012,004	
11.2 Class 2						X X X	X X X				
11.3 Class 3						X X X	X X X				
11.4 Class 4						X X X	X X X				
11.5 Class 5						X X X	X X X	(c)			
11.6 Class 6						X X X	X X X	(c)			
11.7 TOTALS		1,012,004				X X X	X X X	(b) 1,012,004	100.00	1,012,004	
11.8 Line 11.7 as a % of Col. 8		100.00				X X X	X X X	100.00	X X X	100.00	
12. TOTAL PUBLICLY TRADED BONDS											
12.1 Class 1		1,234,409				1,234,409	100.00	1,012,004	100.00	1,234,409	X X X
12.2 Class 2											X X X
12.3 Class 3											X X X
12.4 Class 4											X X X
12.5 Class 5											X X X
12.6 Class 6											X X X
12.7 TOTALS		1,234,409				1,234,409	100.00	1,012,004	100.00	1,234,409	X X X
12.8 Line 12.7 as a % of Col. 6		100.00				100.00	X X X	X X X	X X X	100.00	X X X
12.9 Line 12.7 as a % of Line 10.7, Col. 6, Section 10 ..		100.00				100.00	X X X	X X X	X X X	100.00	X X X
13. TOTAL PRIVATELY PLACED BONDS											
13.1 Class 1										X X X	
13.2 Class 2										X X X	
13.3 Class 3										X X X	
13.4 Class 4										X X X	
13.5 Class 5										X X X	
13.6 Class 6										X X X	
13.7 TOTALS										X X X	
13.8 Line 13.7 as a % of Col. 6							X X X	X X X	X X X	X X X	
13.9 Line 13.7 as a % of Line 10.7, Col. 6, Section 10 ..							X X X	X X X	X X X	X X X	

(a) Includes \$..... freely tradable under SEC Rule 144 or qualified for resale under SEC Rule 144A.
(b) Includes \$..... current year, \$..... prior year of bonds with Z designations and \$..... current year, \$..... prior year of bonds with Z* designations. The letter "Z" means the NAIC designation was not assigned by the Securities Valuation Office (SVO) at the date of the statement. "Z*" means the SVO could not evaluate the obligation because valuation procedures for the security class is under regulatory review.
(c) Includes \$..... current year, \$..... prior year of bonds with 5* designations and \$..... current year, \$..... prior year of bonds with 6* designations. "5*" means the NAIC designation was assigned by the SVO in reliance on the insurer's certification that the issuer is current in all principal and interest payments. "6*" means the NAIC designation was assigned by the SVO due to inadequate certification of principal and interest payments.

SCHEDULE D - PART 1A - SECTION 2

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values by Major Types of and subtype of Issues

Distribution by Type		1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
1.	U.S. GOVERNMENTS, SCHEDULES D & DA (Group 1)											
1.1	Issuer Obligations		1,234,409				1,234,409	100.00	1,012,004	100.00	1,234,409	
1.2	Single Class Mortgage-Backed/Asset-Backed Bonds											
1.7	TOTALS		1,234,409				1,234,409	100.00	1,012,004	100.00	1,234,409	
2.	ALL OTHER GOVERNMENTS, SCHEDULES D & DA (Group 2)											
2.1	Issuer Obligations											
2.2	Single Class Mortgage-Backed/Asset-Backed Bonds											
	MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
2.3	Defined											
2.4	Other											
	MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
2.5	Defined											
2.6	Other											
2.7	TOTALS											
3.	STATES, TERRITORIES AND POSSESSIONS, GUARANTEED, SCHEDULES D & DA (Group 3)											
3.1	Issuer Obligations											
3.2	Single Class Mortgage-Backed/Asset-Backed Bonds											
	MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
3.3	Defined											
3.4	Other											
	MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
3.5	Defined											
3.6	Other											
3.7	TOTALS											
4.	POLITICAL SUBDIVISIONS OF STATES, TERRITORIES & POSSESSIONS, GUARANTEED, SCHEDULES D & DA (Group 4)											
4.1	Issuer Obligations											
4.2	Single Class Mortgage-Backed/Asset-Backed Bonds											
	MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
4.3	Defined											
4.4	Other											
	MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
4.5	Defined											
4.6	Other											
4.7	TOTALS											
5.	SPECIAL REVENUE & SPECIAL ASSESSMENT OBLIGATIONS ETC., NON-GUAR., SCH. D & DA (Group 5)											
5.1	Issuer Obligations											
5.2	Single Class Mortgage-Backed/Asset-Backed Bonds											
	MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
5.3	Defined											
5.4	Other											
	MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
5.5	Defined											
5.6	Other											
5.7	TOTALS											

SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values by Major Types of and subtype of Issues

	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
Distribution by Type											
6. PUBLIC UTILITIES (UNAFFILIATED), SCHEDULES D & DA (Group 6)											
6.1 Issuer Obligations											
6.2 Single Class Mortgage-Backed/Asset-Backed Bonds											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
6.3 Defined											
6.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
6.5 Defined											
6.6 Other											
6.7 TOTALS											
7. INDUSTRIAL & MISCELLANEOUS (UNAFFILIATED), SCHEDULES D & DA (Group 7)											
7.1 Issuer Obligations											
7.2 Single Class Mortgage-Backed/Asset-Backed Bonds											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
7.3 Defined											
7.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
7.5 Defined											
7.6 Other											
7.7 TOTALS											
8. CREDIT TENANT LOANS, SCHEDULES D & DA (Group 8)											
8.1 Issuer Obligations											
8.7 TOTALS											
9. PARENT, SUBSIDIARIES AND AFFILIATES, SCHEDULES D & DA (Group 9)											
9.1 Issuer Obligations											
9.2 Single Class Mortgage-Backed/Asset-Backed Bonds											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
9.3 Defined											
9.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
9.5 Defined											
9.6 Other											
9.7 TOTALS											

SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values by Major Types of and subtype of Issues

	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
Distribution by Type											
10. TOTAL BONDS CURRENT YEAR											
10.1 Issuer Obligations		1,234,409				1,234,409	100.00	X X X	X X X	1,234,409	
10.2 Single Class Mortgage-Backed/Asset-Backed Bonds								X X X	X X X		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
10.3 Defined								X X X	X X X		
10.4 Other								X X X	X X X		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
10.5 Defined								X X X	X X X		
10.6 Other								X X X	X X X		
10.7 TOTALS		1,234,409				1,234,409	100.00	X X X	X X X	1,234,409	
10.8 Line 10.7 as a % of Column 6		100.00				100.00	X X X	X X X	X X X	100.00	
11. TOTAL BONDS PRIOR YEAR											
11.1 Issuer Obligations		1,012,004				X X X	X X X	1,012,004	100.00	1,012,004	
11.2 Single Class Mortgage-Backed/Asset-Backed Bonds						X X X	X X X				
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
11.3 Defined						X X X	X X X				
11.4 Other						X X X	X X X				
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
11.5 Defined						X X X	X X X				
11.6 Other						X X X	X X X				
11.7 TOTALS		1,012,004				X X X	X X X	1,012,004	100.00	1,012,004	
11.8 Line 11.7 as a % of Column 8		100.00				X X X	X X X	100.00	X X X	100.00	
12. TOTAL PUBLICLY TRADED BONDS											
12.1 Issuer Obligations		1,234,409				1,234,409	100.00	1,012,004	100.00	1,234,409	X X X
12.2 Single Class Mortgage-Backed/Asset-Backed Bonds											X X X
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
12.3 Defined											X X X
12.4 Other											X X X
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
12.5 Defined											X X X
12.6 Other											X X X
12.7 TOTALS		1,234,409				1,234,409	100.00	1,012,004	100.00	1,234,409	X X X
12.8 Line 12.7 as a % of Column 6		100.00				100.00	X X X	X X X	X X X	100.00	X X X
12.9 Line 12.7 as a % of Line 10.7, Column 6, Section 10		100.00				100.00	X X X	X X X	X X X	100.00	X X X
13. TOTAL PRIVATELY PLACED BONDS											
13.1 Issuer Obligations										X X X	
13.2 Single Class Mortgage-Backed/Asset-Backed Bonds										X X X	
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
13.3 Defined										X X X	
13.4 Other										X X X	
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
13.5 Defined										X X X	
13.6 Other										X X X	
13.7 TOTALS										X X X	
13.8 Line 13.7 as a % of Column 6							X X X	X X X	X X X	X X X	
13.9 Line 13.7 as a % of Line 10.7, Column 6, Section 10							X X X	X X X	X X X	X X X	

43	Schedule DA Part 2 -	NONE
44	Schedule DB Part A Verification -	NONE
44	Schedule DB Part B Verification -	NONE
45	Schedule DB Part C Verification -	NONE
45	Schedule DB Part D Verification -	NONE
45	Schedule DB Part E Verification -	NONE
46	Schedule DB Part F Sn 1 - Sum Replicated Assets -	NONE
47	Schedule DB Part F Sn 2 - Recon Replicated Assets -	NONE
48	Schedule S - Part 1 - Section 2 -	NONE
49	Schedule S - Part 2 -	NONE
50	Schedule S - Part 3 - Section 2 -	NONE
51	Schedule S - Part 4 -	NONE

SCHEDULE S - PART 5
Five-Year Exhibit of Reinsurance Ceded Business
(000 Omitted)

	1 2002	2 2001	3 2000	4 1999	5 1998
A. OPERATIONS ITEMS					
1. Premiums					
2. Title XVIII-Medicare					
3. Title XIX - Medicaid			49		
4. Commissions and reinsurance expense allowance					
5. Total medical and hospital expenses			(36)		
B. BALANCE SHEET ITEMS					
6. Premiums receivable					
7. Claims payable					
8. Reinsurance recoverable on paid losses					
9. Experience rating refunds due or unpaid					
10. Commissions and reinsurance expense allowances unpaid					
11. Unauthorized reinsurance offset					
C. UNAUTHORIZED REINSURANCE					
(DEPOSITS BY AND FUNDS WITHHELD FROM)					
12. Funds deposited by and withheld from (F)					
13. Letters of credit (L)					
14. Trust agreements (T)					
15. Other (O)					

SCHEDULE S - PART 6
Restatement of Balance Sheet to Identify Net Credit For Ceded Reinsurance

	1	2	3
	As Reported (net of ceded)	Restatement Adjustments	Restated (gross of ceded)
ASSETS (Page 2, Col. 3)			
1. Cash and invested assets (Line 9)	6,003,082		6,003,082
2. Amounts recoverable from reinsurers (Line 12)			
3. Accident and health premiums due and unpaid (Line 10)			
4. Net credit for ceded reinsurance	X X X		
5. All other admitted assets (Balance)	598,200		598,200
6. Total assets (Line 23)	6,601,282		6,601,282
LIABILITIES, CAPITAL AND SURPLUS (Page 3)			
7. Claims unpaid (Line 1)	656,510		656,510
8. Accrued medical incentive pool and bonus payments (Line 2)	227,689		227,689
9. Premiums received in advance (Line 6)			
10. Reinsurance in unauthorized companies (Line 14)			
11. All other liabilities (Balance)	244,450		244,450
12. Total liabilities (Line 18)	1,128,649		1,128,649
13. Total capital and surplus (Line 26)	5,472,633	X X X	5,472,633
14. Total liabilities, capital and surplus (Line 27)	6,601,282		6,601,282
NET CREDIT FOR CEDED REINSURANCE			
15. Claims unpaid			
16. Accrued medical incentive pool			
17. Premiums received in advance			
18. Reinsurance recoverable on paid losses			
19. Other ceded reinsurance recoverables			
20. Total ceded reinsurance recoverables			
21. Premiums receivable			
22. Unauthorized reinsurance			
23. Other ceded reinsurance payables/offsets			
24. Total ceded reinsurance payables/offsets			
25. Total net credit for ceded reinsurance			

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

			1	2	Direct Business Only			
			Guaranty Fund (Yes or No)	Is Insurer Licensed (Yes or No)	3	4	5	6
State, Etc.					Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums
1.	Alabama	AL .....	... No ...	... No ...				
2.	Alaska	AK .....	... No ...	... No ...				
3.	Arizona	AZ .....	... No ...	... No ...				
4.	Arkansas	AR .....	... No ...	... No ...				
5.	California	CA .....	... No ...	... No ...				
6.	Colorado	CO .....	... No ...	... No ...				
7.	Connecticut	CT .....	... No ...	... No ...				
8.	Delaware	DE .....	... No ...	... No ...				
9.	District of Columbia	DC .....	... No ...	... No ...				
10.	Florida	FL .....	... No ...	... No ...				
11.	Georgia	GA .....	... No ...	... No ...				
12.	Hawaii	HI .....	... No ...	... No ...				
13.	Idaho	ID .....	... No ...	... No ...				
14.	Illinois	IL .....	... No ...	... No ...				
15.	Indiana	IN .....	... No ...	... No ...				
16.	Iowa	IA .....	... No ...	... No ...				
17.	Kansas	KS .....	... No ...	... No ...				
18.	Kentucky	KY .....	... No ...	... No ...				
19.	Louisiana	LA .....	... No ...	... No ...				
20.	Maine	ME .....	... No ...	... No ...				
21.	Maryland	MD .....	... No ...	... No ...				
22.	Massachusetts	MA .....	... No ...	... No ...				
23.	Michigan	MI .....	... No ...	... No ...				
24.	Minnesota	MN .....	... No ...	... No ...				
25.	Mississippi	MS .....	... No ...	... No ...				
26.	Missouri	MO .....	... No ...	... No ...				
27.	Montana	MT .....	... No ...	... No ...				
28.	Nebraska	NE .....	... No ...	... No ...				
29.	Nevada	NV .....	... No ...	... No ...				
30.	New Hampshire	NH .....	... No ...	... No ...				
31.	New Jersey	NJ .....	... No ...	... No ...				
32.	New Mexico	NM .....	... No ...	... No ...				
33.	New York	NY .....	... No ...	... No ...				
34.	North Carolina	NC .....	... No ...	... No ...				
35.	North Dakota	ND .....	... No ...	... No ...				
36.	Ohio	OH .....	... No ...	... No ...				
37.	Oklahoma	OK .....	... No ...	... No ...				
38.	Oregon	OR .....	... No ...	... No ...				
39.	Pennsylvania	PA .....	... No ...	... No ...				
40.	Rhode Island	RI .....	... No ...	... No ...				
41.	South Carolina	SC .....	... No ...	... No ...				
42.	South Dakota	SD .....	... No ...	... No ...				
43.	Tennessee	TN .....	... No ...	... Yes ...			32,340,696	
44.	Texas	TX .....	... No ...	... No ...				
45.	Utah	UT .....	... No ...	... No ...				
46.	Vermont	VT .....	... No ...	... No ...				
47.	Virginia	VA .....	... No ...	... No ...				
48.	Washington	WA .....	... No ...	... No ...				
49.	West Virginia	WV .....	... No ...	... No ...				
50.	Wisconsin	WI .....	... No ...	... No ...				
51.	Wyoming	WY .....	... No ...	... No ...				
52.	American Samoa	AS .....	... No ...	... No ...				
53.	Guam	GU .....	... No ...	... No ...				
54.	Puerto Rico	PR .....	... No ...	... No ...				
55.	U.S. Virgin Islands	VI .....	... No ...	... No ...				
56.	Canada	CN .....	... No ...	... No ...				
57.	Aggregate other alien	OT .....	... X X X ...	... X X X ...				
58.	TOTAL (Direct Business) .....		... X X X ...	(a)..... 1			32,340,696	
DETAILS OF WRITE-INS								
5701	.....						
5702	.....						
5703	.....						
5798.	Summary of remaining write-ins for Line 57 from overflow page							
5799.	TOTALS (Lines 5701 through 5703 plus 5798) (Line 57 above)							

(a) Insert the number of yes responses except for Canada and Other Alien.
Explanation of basis of allocation of premiums by states, etc.:

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

SCHEDULE Y (continued)
PART 2 - SUMMARY OF INSURER'S TRANSACTIONS WITH ANY AFFILIATES

1	2	3	4	5	6	7	8	9	10	11	12	13
NAIC Company Code	Federal ID Number	Names of Insurers and Parent, Subsidiaries or Affiliates	Shareholder Dividends	Capital Contributions	Purchases, Sales or Exchanges of Loans, Securities, Real Estate, Mortgage Loans or Other Investments	Income/(Disburse- ments) Incurred in Connection with Guarantees or Undertakings for the Benefit of any Affiliate(s)	Management Agreements and Service Contracts	Income/ (Disbursements) Incurred Under Reinsurance Agreements	*	Any Other Material Activity not in the Ordinary Course of the Insurer's Business	Totals	Reinsurance Recoverable/ (Payable) on Losses and/or Reserve Credit Taken/ (Liability)
.....	.. 61-1530448 ..	Victory Managment Services, Inc. ....	.....	.....	.....	.....	..... 6,514,881	.....	.....	.....	..... 6,514,881	.....
.. 92579 ..	.. 62-1531881 ..	Victory Health Plan, Inc. ....	.....	.....	.....	.....	..... (6,768,237)	.....	.....	.....	..... (6,768,237)	.....
.....	.. 62-1832645 ..	Windsor Health Group, Inc. ....	.....	.....	.....	.....	..... 253,356	.....	.....	.....	..... 253,356	.....
9999999 Totals .....			.....	.....	.....	.....	.....	.....	X X X	.....	.....	.....

Schedule Y Part 2 Explanation:

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

	Response
MARCH FILING	
1. Will the Medicare Supplement Insurance Experience Exhibit be filed with the state of domicile and the NAIC by March 1?	No
2. Will the Supplemental Compensation Exhibit be filed with the state of domicile by March 1?	Yes
3. Will an actuarial certification be filed by March 1?	Yes
4. Will the Risk-based Capital Report be filed with the NAIC by March 1?	No
5. Will the Risk-based Capital Report be filed with the state of domicile, if required by March 1?	Yes
6. Will the SVO Compliance Certification be filed by March 1?	Yes
APRIL FILING	
7. Will Management's Discussion and Analysis be filed by April 1?	Yes
8. Will the Long-term Care Experience Reporting Forms be filed with the state of domicile by April 1?	No
9. Will the Investment Risks Interrogatories be filed by April 1?	Yes
JUNE FILING	
10. Will an audited financial report be filed by June 1 with the state of domicile?	Yes

Explanations:

Bar Codes:

Medicare Supplement Insurance Experience Exhibit


957922002360000002002Document Code: 360

Risk-Based Capital Filing


957922002390000002002Document Code: 390

LTC Experience Reporting Form C


957922002330000002002Document Code: 330

OVERFLOW PAGE FOR WRITE-INS

E01 Schedule A - Part 1 Real Estate Owned - NONE

E02 Schedule A - Part 2 Real Estate Aquired - NONE

E03 Schedule A - Part 3 Real Estate Sold - NONE

E04 Schedule B - Part 1 Mortgage Loans Owned - NONE

E05 Schedule B - Part 2 Mortgage Loans Sold - NONE

E06 Schedule BA - Part 1 Invested Assets Owned - NONE

E07 Schedule BA - Part 2 Invested Assets Sold - NONE

SCHEDULE D - PART 1

Showing all Long-Term BONDS Owned December 31, of Current Year

1 CUSIP Identification	2 Description	3 *	Interest		6 Maturity Date	7 Option Date	8 Option Call Price	9 Book/ Adjusted Carrying Value	10 Par Value	11 Rate Used to Obtain Fair Value	12 Fair Value	13 Actual Cost	Interest		16 Increase (Decrease) by Adjustment	17 Increase (Decrease) by Foreign Exchange Adjustment	18 Amount of Interest Due and Accrued Dec. 31 Current year, on Bonds in Default as to Principal or Interest	19 NAIC Desig- nation	20 Date Acquired	21 Effective Rate of Interest
			4	5									14	15						
			Rate of	How Paid									Amount Due and Accrued Dec. 31 of Current Year on Bonds not in Default	Gross Amount Received During Year						
U.S. Governments - Issuer Obligations																				
3133M5H60 ..	Federal Home Loan Bank Note ..		5.705	2,8	08/28/2003			330,000	330,000	0.9643	318,245	336,188	6,276	18,827	(1,031)			1	08/27/1997	5.273
3135866A2 ..	Federal National Mortgage Assoc																	1	05/23/2000	7.113
31359MES8 .	Med Term		6.800	1,7	01/10/2003			110,000	110,000	1.2810	140,910	109,175	3,740	7,480	319			1	04/23/2002	3.380
31359MES8 .	Federal National Mortgage																	1	06/04/2002	3.140
31359MES8 .	Association		5.625	5,11	05/14/2004			345,081	335,000	1.0566	353,948	349,826	1,570	18,844	(4,744)			1		
31359MES8 .	Federal National Mortgage																	1		
31359MES8 .	Association		5.625	5,11	05/14/2004			449,328	435,000	1.0566	459,604	455,227	2,039	12,234	(5,900)			1		
0199999 Subtotal - U.S. Governments - Issuer Obligations								1,234,409	1,210,000	X X X	1,272,707	1,250,416	13,625	57,385	(11,356)			X X X	X X X	X X X
0399999 Subtotal - U.S. Governments								1,234,409	1,210,000	X X X	1,272,707	1,250,416	13,625	57,385	(11,356)			X X X	X X X	X X X
5499999 Subtotals - Issuer Obligations								1,234,409	1,210,000	X X X	1,272,707	1,250,416	13,625	57,385	(11,356)			X X X	X X X	X X X
6099999 Grand Total - Bonds								1,234,409	1,210,000	X X X	1,272,707	1,250,416	13,625	57,385	(11,356)			X X X	X X X	X X X

E09 Schedule D - Part 2 Sn 1 Prfrd Stocks Owned - NONE

E10 Schedule D - Part 2 Sn 2 Common Stocks Owned - NONE

SCHEDULE D - PART 3
Showing All Long-Term Bonds and Stocks ACQUIRED During Current Year

1	2	3	4	5	6	7	8
CUSIP Identification	Description	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends
Bonds - U.S. Governments							
31359MES8	Federal National Mortgage Association .....	... 04/23/2002 ..	AmSouth Bank .....	..... X X X .....	..... 349,826	..... 335,000.00	..... 8,270
31359MES8	Federal National Mortgage Association .....	... 06/04/2002 ..	AmSouth Bank .....	..... X X X .....	..... 455,227	..... 435,000.00	..... 1,292
0399999 Subtotal - Bonds - U.S. Governments .....					..... 805,053	..... 770,000.00	..... 9,562
6099997 Subtotal - Bonds - Part 3 .....					..... 805,053	..... 770,000.00	..... 9,562
6099998 Summary item from Part 5 for Bonds							
6099999 Subtotal - Bonds .....					..... 805,053	..... 770,000.00	..... 9,562
6599998 Summary Item from Part 5 for Preferred Stocks .....						..... X X X	
7099998 Summary Item from Part 5 for Common Stocks .....						..... X X X	
7199999 Subtotal - Preferred and Common Stocks .....						..... X X X	
7299999 Totals .....					..... 805,053	..... X X X .....	..... 9,562

SCHEDULE D - PART 4

Showing All Long-Term Bonds and Stocks SOLD, REDEEMED, or Otherwise DISPOSED OF During Current Year

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
CUSIP Identification	Description	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Book/Adjusted Carrying Value at Disposal Date	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Interest on Bonds Received During Year	Dividends on Stocks Received During Year
Bonds - U.S. Governments															
31364CG93 ..	Federal National Mortgage Association	04/29/2002	AmSouth Bank .....	... X X X ...	..... 80,000	.... 80,000.00	..... 82,000	..... 80,000	..... (143)	.....	.....	.....	.....	..... 2,728	.... X X X
3133MBJ99 ..	Federal Home Loan Bank	05/15/2002	AmSouth Bank .....	... X X X ...	..... 55,000	.... 55,000.00	..... 56,100	..... 55,000	..... (305)	.....	.....	.....	.....	..... 1,994	.... X X X
31364CQ92 ..	Federal National Mortgage Association	06/04/2002	AmSouth Bank .....	... X X X ...	..... 435,000	.... 435,000.00	..... 444,788	..... 435,000	..... (844)	.....	.....	.....	.....	..... 14,572	.... X X X
0399999 Subtotal - Bonds - U.S. Governments .....					..... 570,000	.... 570,000.00	..... 582,888	..... 570,000	..... (1,292)	.....	.....	.....	.....	..... 19,294	.... X X X
6099997 Subtotal - Bonds - Part 4 .....					..... 570,000	.... 570,000.00	..... 582,888	..... 570,000	..... (1,292)	.....	.....	.....	.....	..... 19,294	.... X X X
6099998 Summary Item from Part 5 for Bonds .....															.... X X X
6099999 Subtotal - Bonds .....					..... 570,000	.... 570,000.00	..... 582,888	..... 570,000	..... (1,292)	.....	.....	.....	.....	..... 19,294	.... X X X
6599998 Summary Item from Part 5 for Preferred Stocks .....							... X X X ...							.... X X X ....	.....
7099998 Summary Item from Part 5 for Common Stocks .....							... X X X ...							.... X X X ....	.....
7199999 Subtotal - Preferred and Common Stocks .....							... X X X ...							.... X X X ....	.....
7299999 Totals .....					..... 570,000	.... 570,000.00	..... 582,888	..... 570,000	..... (1,292)	.....	.....	.....	.....	..... 19,294	.....

E13	Schedule D - Part 5 LT Bonds/Stocks Aquired/Disp -	NONE
E14	Schedule D - Part 6 Sn 1 -	NONE
E14	Schedule D - Part 6 Sn 2 -	NONE
E15	Schedule DA - Part 1 ST Investments Owned -	NONE
E16	Schedule DB - Part A Sn 1 Opt/Cap/Floor Owned -	NONE
E16	Schedule DB - Part A Sn 2 Opt/Cap/Floor Aquired -	NONE
E17	Schedule DB - Part A Sn 3 Opt/Cap/Floor Term -	NONE
E17	Schedule DB - Part B Sn 1 Opt/Cap/Floor In-force -	NONE
E18	Schedule DB - Part B Sn 2 Opt/Cap/Floor Written -	NONE
E18	Schedule DB - Part B Sn 3 Opt/Cap/Floor Term -	NONE
E19	Schedule DB - Part C Sn 1 Col/Swap/Frwr Open -	NONE
E19	Schedule DB - Part C Sn 2 Col/Swap/Frwr Opened -	NONE
E20	Schedule DB - Part C Sn 3 Col/Swap/Frwr Term -	NONE
E20	Schedule DB - Part D Sn 1 Futures Contracts Open -	NONE
E21	Schedule DB - Part D Sn 2 Futures Contracts Opened -	NONE
E21	Schedule DB - Part D Sn 3 Futures Contracts Term -	NONE
E22	Schedule DB - Part E Sn 1 Counterparty Exposure -	NONE

SCHEDULE DM

For bonds and preferred stocks owned as of December 31, state the aggregate statement (admitted) value, the aggregate fair value, and the aggregate difference, if any, between them.

	1	2	3
	Statement (Admitted) Value	Fair Value (a)	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
1. Bonds	1,234,409	1,272,707	38,298
2. Preferred Stocks			
3. TOTALS	1,234,409	1,272,707	38,298

(a) Amortized or book values shall not be substituted for fair values. Describe the sources or methods utilized in determining the fair values.: Fair Value is determined by the SVO value at December 31, 2002, received from the State of Tennessee.

SCHEDULE E - PART 1 - CASH

1			2	3	4	5	6
Depository			Rate of Interest	Amount of Interest Received During Year	Amount of Interest Accrued December 31 of Current Year	Balance	*
open depositories							
AmSouth Bank	Nashville, Tennessee		0.836	2,726		243,878	.
Bank of America, N.A.	Atlanta, Georgia			123,923		4,524,795	.
0199998 Deposits in depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories			X X X				xxx
0199999 Totals - Open Depositories			X X X	126,649		4,768,673	xxx
0299998 Deposits in depositories that do not exceed the allowable limit in any one depository (See Instructions) - suspended depositories			X X X				xxx
0299999 Totals - Suspended Depositories			X X X				xxx
0399999 Total Cash On Deposit			X X X	126,649		4,768,673	xxx
0499999 Cash in Company's Office			X X X	X X X	X X X		xxx
0599999 Total Cash			X X X	126,649		4,768,673	xxx

TOTALS OF DEPOSITORY BALANCES ON THE LAST DAY OF EACH MONTH DURING THE CURRENT YEAR

1. January	10,093,400	4. April	8,409,279	7. July	7,940,106	10. October	5,588,797
2. February	9,818,103	5. May	7,768,771	8. August	6,711,081	11. November	4,955,415
3. March	9,471,355	6. June	8,083,082	9. September	5,713,249	12. December	4,768,673

SCHEDULE E - PART 2 - SPECIAL DEPOSITS

1 Line Number	2 Type	3 Description of Deposit	4 Where Deposited and Purpose of Deposit	5 Par or Book Value	6 Statement Value (a)	7 Fair Value
Tennessee						
TN00001	B	Federal Home Loan Bank Note 5.700% 8/28/2003	AmSouth Investment Services, Nashville TN TN RSD Pledged for Statutory	330,000	330,000	318,245
TN00002	B	FNMA Med Term Note 6.800% 1/10/2003	AmSouth Investment Services, Nashville TN TN RSD Pledged for Statutory	110,000	110,000	140,910
TN00003	B	FNMA Benchmark 5.625% 05/14/2004	AmSouth Investment Services, Nashville TN TN RSD Pledged for Statutory	335,000	345,081	353,948
TN00004	B	FNMA Benchmark 5.625% 05/14/2004	AmSouth Investment Services, Nashville TN TN RSD Pledged for Statutory	435,000	449,328	459,604
TN99999	Subtotals - Tennessee			1,210,000	1,234,409	1,272,707
XX99999	Subtotals - Special Deposits Not Held for the Benefit Of All Policyholders, Claimants and Creditors of the Company			1,210,000	1,234,409	1,272,707
9999999	Totals			1,210,000	1,234,409	1,272,707

(a) Including \$..... cash and short-term investments as defined in SSAP No.2 of the NAIC Accounting Practices and Procedures Manual.

LONG-TERM CARE EXPERIENCE REPORTING FORM-A

	3	4	5	6	7	8	9
1. Individual XXX .....	..... XXX .....	..... XXX
2. Group Direct Response XXX .....	..... XXX .....	..... XXX
3. Other Group XXX .....	..... XXX .....	..... XXX
4. TOTAL (Sum of Lines 1 to 3) XXX .....	..... XXX .....	..... XXX

LONG-TERM CARE EXPERIENCE REPORTING FORM-B

	3	4	5	6	7	8
1. Individual X X X .....	..... X X X .....	..... X X X .....	..... X X X
2. Group direct response X X X .....	..... X X X .....	..... X X X .....	..... X X X
3. Other group X X X .....	..... X X X .....	..... X X X .....	..... X X X
4. Total (Sum of Lines 1 to 3) X X X .....	..... X X X .....	..... X X X .....	..... X X X
5. Actual total reported experience through statement year X X X .....	..... X X X .....	..... X X X .....	..... X X X
6. Actual total reported experience through prior year X X X .....	..... X X X .....	..... X X X .....	..... X X X
7. Calendar year reported experience (Lines 5 minus 6) X X X .....	..... X X X .....	..... X X X .....	..... X X X

Note: a. Was experience prior to 1991 used in preparing this form? Yes[] No[X]
b. If yes, indicate the calendar years that were included:



SUPPLEMENTAL COMPENSATION EXHIBIT
(To be filed by March 1)

PART 1 - INTERROGATORIES

1. The reporting insurer is a member of a group of insurers or other holding company system:
If yes, do the below amounts represent 1) total gross compensation paid to each individual by or on behalf of all companies which are part of the group:
or 2) allocation to each insurer:

Yes[X] No[]

Yes[] No[X]
Yes[X] No[]
2. Did any person while an officer, director, or trustee of the reporting entity receive directly or indirectly, during the period covered by this statement any commission on the business transactions of the reporting entity?

Yes[] No[X]
3. Except for retirement plans generally applicable to its staff employees, has the reporting entity any agreement with any person, other than contracts with its agents for the payment of commissions whereby it agrees that for any service rendered or to be rendered, that he/she shall receive directly or indirectly, any salary, compensation or emolument that will extend beyond a period of 12 months from the date of the agreement?

Yes[] No[X]

PART 2 - OFFICERS AND EMPLOYEES COMPENSATION

1 Name and Principal Position	2 Year	Annual Compensation			
		3 Salary	4 Bonus	5 All Other Compensation	6 Totals
1. Director - 2002, Chief Executive Officer - 2000 & 2001 Philip Hertik	2002	195,088			195,088
	2001	81,213			81,213
	2000	46,150	17,306		63,456
2. President & Chief Executive Officer - 2001, Chief Operating Officer - prior yrs Michael Bailey	2002	249,189			249,189
	2001	111,565			111,565
	2000	34,080	16,153	852	51,085
3. Executive Vice President & Secretary Willis Jones	2002	167,121			167,121
	2001	72,051			72,051
	2000	19,945	1,278		21,223
4. Chief Information Officer Steven Yates	2002	145,760	20,492		166,252
	2001	99,060	106,969		206,029
	2000	17,040	4,615		21,655
5. Director of Database & Reporting Barry Shermer	2002	99,009	12,878		111,887
	2001	71,828	6,995		78,823
	2000	13,069	12,926		25,995
6. Medical Director Mark Mahler, MD	2002				
	2001	31,831	133,000		164,831
	2000	26,980	8,769		35,749
7. Director of Medical Management Wendy Bottomly	2002				
	2001	7,985			7,985
	2000	12,198	11,599		23,797
8.	2002				
	2001				
	2000				
9.	2002				
	2001				
	2000				
10.	2002				
	2001				
	2000				

PART 3 - DIRECTOR COMPENSATION

1 Name of Principal Position or Occupation	2 Compensation Paid or Deferred for Services as Director	3 All Other Compensation Paid or Deferred	4 Totals
<div>NONE</div>			
9999999			



SVO Compliance Certification

"The undersigned is an officer of the insurer responsible for reporting investments to the SVO and/or with performing all filings with appropriate state regulatory officials and the NAIC and is therefore required to be familiar with the requirements of such filings. The undersigned officer certifies that, to the best of his or her knowledge, information, and belief, all prices or NAIC designations for the securities reported in this statement have been obtained directly from the SVO except as specifically identified below. The officer further certifies that, to the best of his or her knowledge, information, and belief, since the last filing of a quarterly or annual statement:

- 1. All securities previously valued by the insurer and identified by a Z suffix have now been submitted to the SVO for a valuation
or disposed of by sale or otherwise with the result that all prices and NAIC Designations reported in this statement have been
provided by the SVO, except for new purchases identified in Schedule D and DA with a Z suffix or items submitted but not
yet processed by the SVO.
- 2. Any newly purchased securities now identified with a Z suffix shall be submitted to the SVO within 120 days of purchase.
- 3. All necessary information on securities which have been previously designated NR (not rated due to lack of current information)
by the SVO have either been submitted to the SVO by the insurer for a valuation or disposed of by the insurer.
- 4. All material issuer events (as defined below) have been reported to the SVO."

A material issuer event is a generic or transaction specific credit event of which the insurer is currently aware, which by its nature would signify to a reasonably prudent insurer that a material change in the credit quality or price of the investment or security has occurred.

As an illustration, and not by way of limitation, the following shall be deemed to constitute material issuer events:

- a. Recapitalizations or capital restructuring whether within or without Chapter 11 of the US Bankruptcy Code;
- b. Nonpayment, deferral, or payment in kind through waiver of any principal or contractual interest payment;
- c. Any change in the maturity of a security;
- d. Changes in the lender's collateral position, including releases of collateral, or the taking of a collateral position whether by
operation of negative pledge covenant or otherwise;
- e. Events of a like character or of a like effect, which would be considered material to an investment professional.
- f. Exceptions_____

Name of Investment Officer

Signature of Investment Officer

SVO Compliance Certification

Title of Signatory

Date

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ANNUAL STATEMENT**

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